

103

MAIL FRAUD

Y 4. P 84/10: 103-11

Mail Fraud, Serial No. 103-11, 103-...

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
POSTAL OPERATIONS AND SERVICES
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

MAY 19, JULY 21, AND OCTOBER 6, 1993

Serial No. 103-11

Printed for the use of the Committee on Post Office and Civil Service



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¹ Resigned September 13, 1993.

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MAIL FRAUD

WEDNESDAY, MAY 19, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:09 a.m., in room 304 Cannon House Office Building, Hon. Barbara-Rose Collins, (chairwoman of the subcommittee) presiding.

Members present: Representatives Collins, Morella, Gilman, and Bishop.

Miss COLLINS. The Subcommittee on Postal Operations and Services will come to order.

Good morning. Mail fraud is a problem affecting millions of Americans annually. Individual scams promoted through the mail have been known nationally to affect over 15,000 victims at a time and causing hundreds of millions of dollars in consumer losses annually.

Mail fraud is defined as follows. Any scheme designed to intentionally deprive someone of his or her property through false or fraudulent pretenses or representations where the use of the U.S. mail is an essential aspect of the scheme violates the Mail Fraud Statute.

Individuals who violate the statute are guilty of a felony and are subject to a fine and imprisonment. There are numerous reports of mail fraud schemes taking place on a daily basis and the range of such schemes is enormous. However, most mail fraud scams have certain key elements. Usually a consumer is mailed a letter or postcard indicating that they have won a prize or cash but stating that the consumer must first remit a certain amount of money to receive their prize. After the consumer has complied with the request to send money, they never receive the promised prize and they never see their money again, even if a refund is requested.

I would like to state that this morning's hearing is the first in a series of planned hearings dealing with the issue of mail fraud. Future hearings will be addressing the various solutions to this rapidly increasing problem and the involvement of Federal, State, and local government agencies in combating this epidemic. However, the main focus today will be on the victims of mail fraud. We will hear from seven actual consumers who have been victimized by mail fraud. Their losses range from \$25 to \$200,000. Three were involved in travel scams, one was involved in an appliance scheme, and another will share the experience of a computer scam. The other two were victims of fraudulent sweepstakes scams. We will

also be hearing this morning from the Director of the State of New Jersey's Division of Consumer Affairs and from a representative of the State of Maryland's Montgomery County Office of Consumer Affairs who will share a few preliminary suggestions on how to combat the problem of mail fraud.

I would like to welcome all of you here today. I thank you for taking the time to share your views with us and I look forward to your testimony.

I am very pleased to have been joined by Representative Connie Morella from the great State of Maryland and, at this time, we'll hear your opening statement.

STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mrs. MORELLA. Thank you. Thank you, Madam Chair. A very brief opening statement, but I want to thank you for your invitation to join you this morning on this hearing on mail fraud.

I want to welcome all the witnesses who are scheduled today and, as you pointed out, on this first panel is Mr. Eric Friedman who represents Montgomery County's Office of Consumer Affairs, and that's the jurisdiction that I'm honored to represent. I want to thank the other witnesses who are going to be discussing with us the personal experiences that they've had to allow us to come up with the suggestions and recommendations and follow through.

I believe that there are two others from my congressional district who are scheduled to testify, Ms. Julie Campbell and Mrs. Leona Roderick. I want to welcome them personally as their representative, too.

It's really criminal and unjust for charlatans to cheat innocent people of their hard earned money, particularly those who can least afford it. Indeed, most hard working people try to use their money wisely. They cut coupons, read newspapers for bargains at the grocery store, airline fares, hotel/motel rates, appliances, and so forth. They also depend on truth-in-advertising.

I appreciate the suggestions which we will be hearing which will be put forth by the witnesses, and I do want to applaud, Madam Chair, Montgomery County, MD, for the first step in notifying commercial mailbox firms that mailbox patrons cannot use the box number to portray a suite or office. This prevents the misrepresentation of the commercial firm's address and box number as a legitimate address. Until this concept is put in the Federal code, I would encourage local jurisdictions to follow in Montgomery County's path.

Madam Chair, I will need to leave rather soon, after hearing some of the testimony, for another hearing of the Post Office Civil Service Committee on Compensation and Employee Benefits on legislation I've introduced on leave sharing, but I will read the entire testimony.

Thank you.

[The prepared statement of Hon. Constance A. Morella follows:]

PREPARED STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MARYLAND

Madam Chair, I appreciate your invitation to join you this morning during the hearing on mail fraud.

I would like to welcome all the witnesses scheduled today, particularly my constituents Ms. Julie Campbell, Mrs. Leona Roderick, and Mr. Eric Friedman of the Montgomery County Consumer Affairs, which is doing an outstanding job in protecting county residents from misrepresentation and fraud.

It is criminal and unjust for charlatans to cheat innocent people of their hard earned money, particularly those who can least afford to lose a dime. Indeed, most hard working people try to use their money wisely—they cut coupons, they read the newspapers for bargains at the grocery store and airline fares, hotel/motel rates, appliances, and so forth. They also depend on truth-in-advertising.

I appreciate the suggestion which will be put forth by the witnesses, and I applaud Montgomery County for the first step of notifying commercial mail box firms that mail box patrons cannot use the box number to portray a suite or office. This prevents the misrepresentation of the commercial firm's address and box number as a legitimate address. Until this concept is put in the Federal code, I would encourage local jurisdiction to follow in Montgomery County's path.

I will need to leave fairly soon, Madam Chair, as I have to attend another subcommittee meeting regarding federal leave-sharing.

Thank you, again, Madam Chair, for giving me this time to say a few words.

Miss COLLINS. All right. Thank you very much and, without objection, all written testimony will be entered into the record.

I apologize for the lack of committee members. President Clinton is addressing the Democratic caucus at this time and I imagine they'll come over as soon as he's finished.

Panel No. 1 consists of Ms. Michelle Davidson, a victim of mail fraud from Arlington, VA, Ms. Brett Emmerson from Alexandria, VA. Ms. Campbell is not here yet. Oh, she is here. OK. We substituted with Mr. Friedman but I'd like you to—would you mind, Mr. Friedman, if we put Ms. Campbell back where she belongs? Julie Campbell from Wheaton, MD, and Mr. Mike Desai.

STATEMENT OF MIKE DESAI, VICTIM OF MAIL FRAUD, ACCOMPANIED BY MICHELLE DAVIDSON, BRETT EMMERSON, JULIE CAMPBELL, VICTIMS OF MAIL FRAUD

Mr. DESAI. Desai.

Miss COLLINS. Desai, from Columbia, SC. You've come a long way and I thank you very, very much.

First, we'll hear from Ms. Michelle Davidson.

Ms. DAVIDSON. Thank you for the opportunity to testify. I am here to let you know what happened to me. My name is Michelle Davidson. I am a nurse.

Mrs. MORELLA. You may want to pull the microphone a little closer.

Ms. DAVIDSON. I am 24 years old, and I was a victim of mail fraud.

It happened last year. I am a newlywed, and my husband and I were going to take a delayed honeymoon. The week before Christmas I saw an ad in the paper for Caribbean cruises with a company called Bonus Vacations. The ad said you got 8 days and 7 nights, all for \$850 for two. I called the number and spoke to a man who said that he got the packages in bulk. He said he bought 50 cruises at a time and that he sold them to businesses. That was why they were so cheap, and that he had five left.

I was told I had 10 days to examine the package, and it looked good, so I allowed him to come by and pick up my check. He came

by my work, and I paid \$850 in total. We were supposed to fill out a voucher and send it in. We were to pick three separate dates and write them on the voucher. Then we would receive one of the dates for the date of the vacation along with the tickets.

I filled in the dates we wanted on the vouchers the man gave me and sent it all off to a Wisconsin company that did the booking. I mailed the vouchers off, but never received the travel package or the tickets. We just never heard anything. Then I finally heard the Wisconsin company was raided by the FBI.

I tried to contact the man that sold me the tickets originally, and no one ever answered the phone. Finally, the phone was disconnected. I wrote the Wisconsin company for my money back, but I never heard from him. I called the company's phone number and it rang and rang and then it, too, was disconnected.

I then called the Montgomery County police, and they gave me the Montgomery County Consumer Affairs Division. When I talked to Montgomery County Consumer Affairs people, they said that I had been taken. I wanted to press charges against the people in Wisconsin but they were in a different State, so I didn't get very far.

I ended up writing the post office. It was 3 months before I heard from them, and then I received a complaint form to fill out.

I never got my money back, and my husband and I never got to go on that honeymoon. We never went anywhere. I hope this subcommittee will look into these occurrences. It has sorely tested my faith in our system. It upsets me that you can't believe what you read in the paper.

Thank you for inviting me. I would be happy to answer any questions you may have.

By the way, I did hear from one of my patients who is a judge that they did catch the man who sold the package. He was arrested by the FBI. His name was Michael Barson.

[The prepared statement of Ms. Davidson follows:]

PREPARED STATEMENT OF MICHELLE DAVIDSON, VICTIM OF MAIL FRAUD

Thank you for the opportunity to testify. I am here to let you know what happened to me. My name is Michelle Davidson. I am a nurse. I am twenty-four years old, and I was a victim of mail fraud.

It happened last year. I am a newlywed, and my husband and I were going to make a delayed honeymoon. The week before Christmas I saw an ad in the paper for Caribbean cruises with a company called "Bonus Vacations". The ad said you got an eight-day, seven-night cruise for two all for \$850.00. I called the number, and spoke to a man who said that he brought the packages in bulk. He said he bought fifty cruises at a time and that he sold them to businesses. He said that was why they were so cheap and that he had five left.

I was told I had ten days to examine the package, and it looked good, so I allowed him to come by and pick up my check. He came by my work, and I paid \$850.00 in total. We were suppose to fill out a voucher and send it in. We were to pick three separate dates and write them on the voucher, and then we would receive one of the dates for the date of the vacation along with the tickets.

I filled in the dates we wanted on the vouchers the man gave me and sent it all off to a Wisconsin company that did the booking. I mailed the vouchers off, but never received the travel package or tickets. We just never heard anything. Then, I finally heard that the Wisconsin company was raided by the F.B.I.

I tried to contact the man that sold me the tickets originally, and no one ever answered the phone. Finally, the phone was disconnected. I wrote the Wisconsin company for my money back, but I never heard from them. I called the company's phone number and it rang and rang, and then, it too was disconnected.

I then called the Montgomery Police, and they gave me the Montgomery County Consumer Affairs Division. When I talked to the Montgomery County Consumer Affairs People, they said I had been taken. I wanted to press charges against the people in Wisconsin, but they were in a different State, so I didn't get very far.

I ended up writing to the Post Office. It was three months before I heard from them, and then I received a complaint form to fill out.

I never got my money back, and my husband and I never got to go on that honeymoon. We never went on a honeymoon. I hope this subcommittee will look into these occurrences. It has sorely tested my faith in our system. It makes me angry that you just can't believe what you read in the paper.

Thank you for inviting me. I would be happy to answer any questions you might have. By the way, I did hear from one of my patients who is a judge that they did catch the man that sold me the package. He was arrested by the F.B.I. His name was Michael Barson.

2 Charged In Bogus Vacations

FBI Says Va. Couple
Sold Dream Packages

By Robert O'Harrow Jr.
Washington Post Staff Writer

A Fairfax County couple who allegedly sold bogus vacation packages to people looking for cut-rate deals were arrested by FBI agents at their Reston home yesterday and charged with federal wire fraud.

The couple, who worked in offices throughout the Washington area, has taken more than \$60,000 from customers for vacations they never intended to provide, since October 1990, according to a federal affidavit.

At least 99 people from 21 states and the District of Columbia have complained to local consumer agencies about the alleged scam, which lured customers with newspaper ads for seductively cheap airfare and lodging packages for Cancun, Mexico, the Caribbean and elsewhere, the affidavit said.

Embarrassed victims included a group of eight friends in Iowa, who spent \$4,000 in a bid to vacation together in Cancun, and a Rockville professional who paid \$1,200 cash to take eight members of his family on an inexpensive Caribbean cruise.

Two newlyweds from Falls Church, who had struggled for months to get time off together, lost \$850 they had saved for a honeymoon cruise in December.

"It sounded really nice," said Michele Davidson, 23, whose honeymoon is on hold indefinitely. "I really don't think we'll get the money back because there are so many people, so many complaints."

Federal agents charged Michael C. Barson, 42, and his wife, Seleta H. Barson, 33, yesterday with one count each of wire fraud. The Barsons were arraigned in federal Magistrate's Court in Alexandria and released on \$60,000 bond, said Frank Scalfidi, an FBI spokesman.

Under the terms of their release,
See VACATIONS, C1, Col. 3

Fairfax Couple Charged With Fraud For Allegedly Selling Bogus Vacations

VACATIONS, From C1

the Barsons must live at their home in Reston, surrender their passports and wear special electronic monitoring devices. They also have been prohibited from discussing travel or going near travel agencies. A preliminary hearing is scheduled for Monday.

If convicted, each would face up to five years in jail, and a \$1,000 fine. According to an affidavit filed in federal District Court in Alexandria, the Barsons ran the Washington suburbs, doing business from Bethesda, Vienna and their Reston home. They depended on a network of mailing addresses and offices they used for a short time.

"These people just said all they need to do business is a phone," Scalfidi said. "Why they chose [to do business] here is anybody's guess."

The Barsons used at least 16 different company names, such as Sea Breeze Enterprises and Fantasy Vacations, and a variety of colorful aliases, including "Skip Town" and "Alcoholic," according to the affi-

davit. Consumer officials in Fairfax and Montgomery counties say the Barsons' operation became quite well known to them in recent months.

FBI investigators and consumer

*"To our knowledge,
nobody [ever went
on a vacation]. It
was impossible."*

— Nellie Miller
consumer affairs investigator

affairs officials said the alleged scam worked like this:

The Barsons usually began by placing ads in several newspapers, including The Washington Post, offering inexpensive cruises, gambling outings in the Bahamas and trips to Mexico. One offer, for instance, was for a five-day trip to Cancun for \$449, including round-trip airfare and a five-star hotel—for two people.

When someone responded to a phone number in the ad, often a toll-free 800 number, the Barsons or their employees would describe the packages or reassure skeptical callers, authorities said. In the end, callers were told they could get the packages below market rate for advanced payment in cash, money orders or cashier's check.

After paying, the callers did receive a package from the Barsons, but it generally included a travel-oriented videotape, some brochures and a voucher for the trip they wanted, court records said. Airline tickets were never included. When customers went to cash in their vouchers, they found they had to go to another company that would not respond. Or they faced some other restriction.

"To our knowledge, nobody [ever went on a vacation]. It was impossible," said Nellie Miller, an investigator for the Montgomery County office of consumer affairs, which recently asked the Barsons to give \$23,000 in refunds. "It was just like a huge nothing."

the Crow Indian Reservation, maintains 1,200 head of cattle.

Russell has not seen "City Slickers," but she has felt its impact. "I can't believe what enthusiasm it has created," she says. "Everybody who calls tells me about it. I don't think I'm going to have to see it."

The Schively Ranch takes in about 11 guests a week from spring into fall. "We put them on our cow horses and give them a feel of what it's like to be a cowboy," Russell says. If it rains, "you get rained on," and snow is always a possibility in spring and fall. When riding the range, the only restrooms are what she jokingly calls "bessie bushes." Incidentally, a cow horse, as novice cowpokes soon learn, "is a horse that has a good eye for cattle. It keeps a watch on them."

Only a few guest ranches still stage cattle drives, and traditionally they are a spring and fall activity. In late April and early May, the Russells start moving their herd north from protected winter quarters near Lovell, Wyo., to open summer pastures on the Schively range. About a quarter of the herd is moved each week in four separate drives. In Ok-

lahoma, are the last of the season. "You experience your cowboy life in a way that there are other

Trail Rides

An escorted trail ride into the Western wilderness puts you on the back of a horse, although you won't be expected to herd any cattle. American Wilderness Experience, a Boulder, Colo., adventure travel firm, puts together two types of trail rides each year with local outfitters throughout the West. One is a ride from point to point; the other is a series of day rides from a central location. For both, lodging is in tents, and dinner is served around a campfire.

The organization schedules about 100 departures a year, according to president Dave Wiggins, many in officially designated wilderness areas. Such as Colorado's Maroon Bells Wilderness near Aspen. Unlike a cattle drive, the trail-ride staff does all the packing, cooking and clean-up chores. "These are vacations," he says. The rate for a six-day ride is about \$100 to \$150 a day.

Wiggins, too, has taken note of

and Larry Lind. Each year, four or five thousand people flock to the Teton region. "You can tell," Patty Howard says.

A caravan of seven or eight wagons, including mules and another. They are pulled or mules drive them. Guests are long as a train side. Extra fees so you can ride the pace at 10 hour is slow or

On the In-ha trouble says, but they enjoy the ride. In the pr them a cation flowers. Lodge guests learn And they are

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Reservation Request

Issue Date 08.10.91 *Sponsor GATE

Name Kay Emerson 2nd Traveler's Name Arthur Emerson

Address 7505 Toll Court City Alexandria State VA Zip 22306

Day Telephone Number 703-660-6540 Evening Telephone Number 703-660-6540

Vacation Dates Requested Dec 2 - 10, 1991 1st _____ 2nd _____ 3rd _____

Do you carry a major credit card? Yes Mastercard VISA American Express

Number in party Two Would you like to upgrade accommodations? Yes No

Would you like to extend your vacation for a few extra days? Yes No. If, yes, number of extra days: 3 nights

Departure Airport: Wash. Nat'l Will you be flying or driving to your departure Airport? NATIONAL

If flying, we will book your flight for you to coordinate with your flight to Cancun.

Would you like us to book additional airline tickets for you? Yes No

Would you like us to book a car rental for you? Yes No

Would you like FVI to send you a menu of activities available while on your vacation? Yes No Please arrange for vegetarian meals for my husband & me on plane going & coming

All activities available at discount prices from FVI.

STATEMENT OF UNDERSTANDING

We have read, understand and agree to comply with all the terms and conditions of this vacation offer.

DO NOT LEAVE FOR VACATION UNTIL YOU HAVE RECEIVED WRITTEN CONFIRMATION.

WE GUARANTEE LOWEST AIRFARES AND CAR RENTALS AVAILABLE.

Signature Kay Emerson

*This certificate is invalid unless stated items are completed by sponsor.

Reservation Request

Issue Date _____ *Sponsor _____

Name Brett Emerson 2nd Traveler's Name Sarah Kennedy

Address 7505 Toll Court City Alexandria State VA Zip 22306

Day Telephone Number 703-660-6540 Evening Telephone Number 703-660-6540

Vacation Dates Requested Dec 2-9, 1991 1st Feb 25 - Mar 3, 1992 2nd Jan 9 - 14, 1992 3rd _____

Do you carry a major credit card? Yes Mastercard VISA American Express

Number in party 2 Would you like to upgrade accommodations? Yes No

Would you like to extend your vacation for a few extra days? Yes No. If, yes, number of extra days: 3 days

Departure Airport: Washington, DC - National Will you be flying or driving to your departure Airport? Kevin's

If flying, we will book your flight for you to coordinate with your flight to Cancun.

Would you like us to book additional airline tickets for you? Yes No

Would you like us to book a car rental for you? Yes No

Would you like FVI to send you a menu of activities available while on your vacation? Yes No * 2nd traveler departing from Tampa, FL. Also, please have vegetarian meals

All activities available at discount prices from FVI.

STATEMENT OF UNDERSTANDING

We have read, understand and agree to comply with all the terms and conditions of this vacation offer.

DO NOT LEAVE FOR VACATION UNTIL YOU HAVE RECEIVED WRITTEN CONFIRMATION.

WE GUARANTEE LOWEST AIRFARES AND CAR RENTALS AVAILABLE.

Signature Brett Emerson

*This certificate is invalid unless stated items are completed by sponsor.

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Brett Emerson
7505 Toll Court
Alexandria, VA

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1. Completely fill out the reservation request form. At least 60 days in advance of your requested vacation date.
2. Mail request, and three different choices of vacation dates to **FANTASY VACATIONS, INC.** At least 21 days must separate each requested date.
3. Upon receipt of reservation request form, **FANTASY VACATIONS, INC.** will process your request and send you a written confirmation and additional information concerning your vacation.
4. Please refer any questions or requests directly to **FANTASY VACATIONS, INC.** in writing.

Fantasy Vacations, Inc.
 11160 Viers Mill Road L-15, #333
 Silver Spring, Maryland 20902
 (703) 790-3959
 701-790-3959

30-899-470

TERMS AND CONDITIONS

This offer is valid for the period of 12 months from the date of this program. It is not transferable and is not redeemable for cash. It is not valid for use in conjunction with any other discount offer and is restricted to specific use stated herein.

All cancellations must be made in writing and sent via certified mail, no later than 30 days prior to your earliest departure date along with any travel, insurance, airport or any other expenses related to the program. A cancellation fee will be charged if you cancel more than 30 days prior to the start of your departure and any fees incurred by FVI.

CANCELLATION PROCEDURES OF OPTIONAL PAID FEATURES

ALL CANCELLATIONS MUST BE MADE IN WRITING AND SENT VIA CERTIFIED MAIL, NO LATER THAN 30 DAYS PRIOR TO YOUR EARLIEST DEPARTURE DATE ALONG WITH ANY TRAVEL, INSURANCE, AIRPORT OR ANY OTHER EXPENSES RELATED TO THE PROGRAM. A CANCELLATION FEE WILL BE CHARGED IF YOU CANCEL MORE THAN 30 DAYS PRIOR TO THE START OF YOUR DEPARTURE AND ANY FEES INCURRED BY FVI.

PLEASE NOTE

Every attempt will be made to fill your first departure date and amount. Should the promotional amount be reduced to another flight or other travel option, you must comply with terms, conditions and procedures of the new program.

FVI assumes no responsibility for any partial or written non-refundable regarding the offer by any sponsor, distributor or travel agent which are necessary to the travel and vacation related terms. No refund or agent may charge any reservation fee advance for this program.

Any program used by sponsor or employees or their immediate family, together with advertising agencies will become null and void.

USER MUST PAY ALL US AND STATED HEREIN TAXES, ALL GRATUITIES AND INCIDENTALS

RESPONSIBILITIES

FVI does not assume any liability or responsibility for damage, expense of transportation not by fire, injury or damage to any person or property in any hotel or in travel to and from said hotel, or any other related expenses.

due to delays, cancellations due to nature, mechanical breakdown, strikes or acts of god.

THIS PRODUCT IS REGISTERED PURSUANT TO THE LAWS OF THE STATE OF MARYLAND.

ADDITIONAL INFORMATION

1. No travel groups (FVI constitutes a group as being 12 or more certificate holders) required to travel together leaving the same airfare/transportation date.
2. Any other charges not specifically stated in this offer. Hidden surcharges will be assessed for departure class other than specified in this offer.
3. Any persons accompanying the 2 adult occupants of this offer sharing the same room with the maximum will be assessed an extra charge of \$15.00 per night. Plus tax. Our travel agency will arrange the additional charges in the future. Available from available in the time of booking. Additional nights may be requested at the same itinerary, subject to a rate of \$45.00 per night during the season, \$75.00 per night high season, plus tax.
4. **NO OFFER IS VALID FOR THE USE OF AND WITHIN THE UNITED STATES.**
5. Proof of citizenship is required. Passport, birth certificate or other appropriate card should be carried when traveling or left at the user's discretion.
6. There is a \$50.00 surcharge for travel during the high season (December 15 thru April 15).
7. This offer is valid for Two (2) adults staying at the Common Quality Inn for 10 nights and One (1) child. If you choose to upgrade your accommodations to the available hotels, the upgrade amount will be based on the information regarding the Two (2) nights included in this offer, any additional nights requested will be at the retail rates as stated on the information page.
8. Fantasy Vacations, Inc. is registered pursuant to the laws of the State of Maryland. All Travel must be completed within one (1) year from date of issue.

This program provides two (2) separate offers plus hotel accommodations for Four (4) in Common Quality Inn. This offer is valid for use in conjunction with any other discount offer and is restricted to specific use stated herein.

This offer is valid for use in conjunction with any other discount offer and is restricted to specific use stated herein.

Use of this program must be at least Twenty-One (21) years of age and older if married, you must travel with spouse to qualify or be two (2) single persons traveling together, or a single parent traveling alone.

Use of this program must be at least Twenty-One (21) years of age and older if married, you must travel with spouse to qualify or be two (2) single persons traveling together, or a single parent traveling alone.

Head of household must be gainfully employed and have a current annual income of \$18,000.00 U.S. or equivalent per year (proof of income may be required).

This program **MAY NOT BE REDEEMED SEVEN (7) DAYS BEFORE OR AFTER** any major holiday, 9 hours to collect these dates, only days in advance. (Allowing a full 31 days between each used.) And/or selecting a date within seven days of a major holiday will extend your requested.

This program is **NON-TRANSFERABLE** and is **NOT REDEEMABLE FOR CASH AND MAY NOT BE SOLD TO THE END USER AND IS VOID WHERE PROHIBITED.**

All arrangements must be made in writing. **NO EXCEPTIONS.** Telephone calls will show the program's location, however **NO** verbal calls will be accepted, and will only show in writing.

Extended stays at resort can be arranged at the participating hotel each night. All extended stays must be booked through FVI.

This program is not valid for accommodations, group reservations, PullPort (This includes, reservations, sales or any other hotel related products. Terms and Conditions apply to it as if it were issued by FVI in writing).

RESERVATIONS PROCEDURES

For FVI to process your reservation request, send request along with your request for a **CHOOSE YOUR OWN TRAVEL OFFER** provided by **FANTASY VACATIONS, INC.** U.S.A. Forms. There is a \$50.00

Handwritten notes: "Handwritten notes" and "30-899-470" written vertically on the left side of the page.

FVI

Fantasy Vacations, Inc.
11160 Viers Mill Road, L-15 #333
Silver Spring, MD 20902

Date 09-26-91

FVI #002187

Brett Emmerson
7505 Toll Court
Alexandria, VA 22306

Dear FVI Traveler:

We received your package in the mail. Unfortunately, we cannot accept it.

Your package was not sent via certified mail. This requirement is for your protection as well and ours. Please resubmit your reservation request to our office within 21 days of the above date via certified mail or this offer is void.

Clerical Staff
Fantasy Vacations, Inc.

(301) 899-4899

American Express[®] Money Order 82-401021

56-253000591

MAXIMUM DOLLAR VALUE
THREE HUNDRED DOLLARS (\$300)

03/02/92
7 - ELEVEN
LOCA. #14282

\$100 DOLS 00 CTS

PAY THE SUM OF ****ONE HUNDRED AND 00/100 DOLLARS****
TO THE ORDER OF KAY + Brett Emerson
Great American Travel Club

SENDER'S NAME AND ADDRESS
Issued by American Express Travel Related Services Company, Inc. Englewood, Colorado Payable at United Bank of Grand Junction
Grand Junction, Colorado

⑆ 10 2 100400 ⑆ 56 ⑈ 253000591 2 ⑈

American Express[®] Money Order 82-401021

56-253000590

MAXIMUM DOLLAR VALUE
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Grand Junction, Colorado

⑆ 10 2 100400 ⑆ 56 ⑈ 253000590 3 ⑈

Great American Travel Club
310 W. Maple
Suite 253
Vienna, Va. 22180



Kay + Brett Emerson
7505 Toll Ct.
Alexandria, VA 22306

Miss COLLINS. Thank you, Ms. Davidson. You were expecting to receive the dates for the vacation through the mail?

Ms. DAVIDSON. That's correct, along with the tickets.

Miss COLLINS. Along with the tickets. And what contact did you have with the U.S. postal inspectors?

Ms. DAVIDSON. When I didn't receive the tickets, I wrote to them and 3 months later I got a complaint form, and I filled it out and then I didn't hear from them again.

Miss COLLINS. You haven't heard from them to date?

Ms. DAVIDSON. No. It's been almost a—over a year.

Miss COLLINS. We've been joined by Congressman Stanford Bishop from Georgia. And at this time, Mrs. Morella, do you have any questions you wanted to ask Ms. Davidson?

Mrs. MORELLA. That's a terrible story. You never got your money back at all and you didn't go on a honeymoon and you pursued it in all the channels that you saw available. How did the FBI learn about him? Was it because of some of the complaints that you filed that the FBI got wind of it or the Consumer Affairs reported it to the FBI?

Ms. DAVIDSON. I don't think so. I had a patient who was a judge in the District.

Mrs. MORELLA. What do you do? You have a patient. Are you a doctor?

Ms. DAVIDSON. I'm an infertility nurse clinician.

Mrs. MORELLA. I see.

Ms. DAVIDSON. And the patient referred me to a friend of hers who worked at the FBI who said he would look into it and, when he looked into it, he saw that there was about \$65,000 that had been taken in a period of a couple of months by this man, and they did an investigation, and he was later arrested.

Mrs. MORELLA. So he had been perpetrating this scam throughout the country evidently and had accumulated \$65,000 but you had no recourse because he filed bankruptcy or whatever it might be so that you got nothing.

Ms. DAVIDSON. That's correct.

Mrs. MORELLA. Do you have a suggestion about what should be done about this besides tar and feathering?

Ms. DAVIDSON. Well, a lot of the replies from the government officials said that there were really no laws, that there were loopholes in the laws with wire fraud and with the mail fraud and that they needed stricter laws to prosecute these people and stop this from happening, so if there could be laws in place. The wire fraud in our case was also because he—it was over three States, Maryland, Virginia, and the District of Columbia. So if there would be stricter laws on those two issues, I felt like maybe we could have gotten some action taken so that he could be stopped because a lot of people suffered after. We weren't the only victims.

Mrs. MORELLA. Obviously, we'll look into that, and it's also discouraging that you didn't hear from the postal system, which is something I know that our chair will be pursuing.

Thank you very much.

Miss COLLINS. We certainly will. In fact, at the second hearing, we'll have the postal inspectors and people from the Postal Service here testifying.

Tell me, what will you do the next time you see an ad or in the paper? What steps would you take to make sure that it was legitimate?

Ms. DAVIDSON. Well, I would check with the Better Business Bureau initially and then with ASTA, the Association for Travel, to see if they're certified through that agency. You know, we just saw the ad in the paper, and I had a friend who saw a similar ad who went on a cruise and didn't have any problems.

Miss COLLINS. You assume if it's in the paper it's legitimate.

Ms. DAVIDSON. Exactly.

Miss COLLINS. That the newspapers wouldn't accept a scam.

Ms. DAVIDSON. Exactly. And I would go through a travel agency that was well established.

Miss COLLINS. Mr. Bishop, do you have any opening statement?

Mr. BISHOP. No. Not at this time.

Mrs. MORELLA. Madam Chair, may I just ask her one more question.

Miss COLLINS. Yes.

Mrs. MORELLA. Was the Office of Consumer Affairs of Montgomery County, MD, helpful to you? Maybe it was too late. I don't know.

Ms. DAVIDSON. When I dealt with them, they were not because I was very persistent and they told me that I could face harassment charges if what I was saying was not backed up, and I felt that I was the victim and the woman I dealt with, I don't know her name, but I didn't feel like she was cooperative. Virginia and the FBI was much more cooperative and sympathetic. So I was—I'm not a Maryland resident. I was disappointed with the system.

Mrs. MORELLA. Thank you.

Miss COLLINS. You felt intimidated by that, didn't you?

Ms. DAVIDSON. I did. I was the one who gave him the check. Newly married, and gave them the check. So luckily my husband was understanding, but I wasn't happy to be the one to hand over our newly joined money.

Miss COLLINS. Do you have any questions, Mr. Bishop?

Mr. BISHOP. Ms. Davidson, I read your testimony. I'm sorry I wasn't here to hear you deliver it personally. I do have a question. You indicated that you heard that the FBI finally raided this company. Is that correct?

Ms. DAVIDSON. Yes.

Mr. BISHOP. Do you know for a fact that it took place? Were you ever contacted for prosecution purposes?

Ms. DAVIDSON. I was not contacted. I saw the Wisconsin company on a file tape from Channel 9 news and they were being raided and at the time, Channel 9 did a story and that's when it really came to light and that the government agencies really got involved, when Channel 9 did the story. And then they showed him being arrested along with his wife.

Mr. BISHOP. So he was arrested?

Ms. DAVIDSON. He was arrested.

Mr. BISHOP. And it was the same man that had taken your money?

Ms. DAVIDSON. Yes, it was.

Mr. BISHOP. What is it that you feel that the post office could have done to have prevented what happened to you?

Ms. DAVIDSON. Well, I felt like he had used a post office box and, you know, I don't know how you would go about regulating that, but he did use a post office box. It was more when they were discovered and there was hard evidence that nothing was done because they were—I was told that there were no laws, strict laws, in place to really prosecute.

Mr. BISHOP. The post office—you never communicated to the post office box, or you communicated to a post office box in Wisconsin.

Ms. DAVIDSON. Correct. Correct.

Mr. BISHOP. You sent your—

Ms. DAVIDSON. My voucher.

Mr. BISHOP. You sent the voucher.

Ms. DAVIDSON. Correct. There.

Mr. BISHOP. But he never sent you anything in the mail.

Ms. DAVIDSON. No. He brought it to me in person.

Miss COLLINS. Mr. Bishop, she stated to a previous question that she contacted the postal inspector and 3 months—did you hear that?

Mr. BISHOP. I read it.

Miss COLLINS. All right. And 3 months later she got a—what was it? A complaint form.

Ms. DAVIDSON. A complaint form.

Miss COLLINS. And she has not heard from them since.

Thank you very much.

Ms. DAVIDSON. Thank you.

Miss COLLINS. Ms. Emmerson from Alexandria.

Ms. EMMERSON. My name is Brett Emmerson, and thank you for inviting me to testify today.

I am 28 years old, and I'm also a nurse, and I'm here to tell my story as a victim of mail fraud also. I was going back to school to get a bachelors of science in nursing in 1990 and wanted to take a vacation before I started working full-time after graduating. I was short of cash and I plunked down all I had at that time for a vacation plan that turned out to be a scam.

It started in August 1991 when my mother saw an ad in the paper. The ad said that Great American Vacations was offering a Cancun vacation for \$199 per person, including air fare and 5 days and 4 nights accommodation at a five star hotel. It sounded great, didn't it?

It was supposed to be the Great American Travel Club. You join the club and then you get the reduced fare. My mother and father were going to go on this vacation and told me about it, and I figured my cousin and I could go, too, and we could meet them in Mexico and have a family vacation.

My mother called the number listed in the ad, and she was put through to a man by the name of Christopher. He told her that he could send her the Great American packet by mail and that she'd have to pay a shipping cost of \$12. We thought this was strange because we live in Alexandria and this travel club was listed as Vienna, so we thought the \$12 was a little steep for postage. So, instead of paying for the postage, we decided to go to the Vienna office and join the club. While we were there, my mother filled out

a form with the assistance from the Christopher that she spoke with at the office, and also at that time she filled out a form for Fantasy Vacation, Inc., with an address on Viers Mill Road in Maryland and also selected dates that she—three dates, the same as Michelle, and she gave him a check for \$398 and we left.

I took the form home with me and I filled it out for myself and my cousin and made a check out for the same amount. I was told that we would be informed in the mail if the dates we had filled out were acceptable.

The way the scam worked was as follows. They would place ads in the papers for vacation packages and when someone responded to the 800 number, they would be told that they could have the package below market rate for advanced payment in cash, money order, or cashier's check. After paying, the consumers would get a video, brochures, and voucher but no airline tickets. Then when the consumers tried to cash in the vouchers, Fantasy Vacations would not respect the travel vouchers.

Two weeks after I filled out my travel form, my mother received a computer form letter that said they could not accept her form because she had not sent in \$25 as a processing fee. So my mother sent in the \$25 along with the packet again. And then in between I received another notice that said I had not sent the reservation in by certified mail, so I was disqualified and had to send the packet back in.

At this point, I went to my mother, and she had just gotten another form letter saying that she had not sent all her money in by cashier's check so they were sending it all back to her with her original personal check.

At this point, I realized there was something wrong. My mother told me that she had tried to get a hold of the guy at the office that she spoke with originally, Christopher, where we had picked up the forms, but she had not been able to get a hold of him. When I realized she hadn't been able to get a hold of anyone, I blew up. She'd just been getting an answering machine over and over again.

Together, my mother and I went to the office where we had picked up the forms, and there was no one there. There was another travel agency below their office, and they said they had seen them boxing up shop, and the Fairfax County Consumer Affairs had been there to investigate. We went directly to consumer affairs from the office.

I spoke with Fairfax County Consumer Affairs in September and filled out a complaint form. We were told that many other complaints had been filled out against Great American Travel and its owner, Michael Barson. This is when we found out that the man at the office who gave us the original application forms was Christopher Barson, Michael Barson's brother.

I called the numbers for Fantasy Vacations, Great American Travel, and Michael Barson after that regularly and only got answering machines. One day in the mail I received a \$200 money order made out to myself and my mother, so we each got \$100 back. Then I heard from Fairfax County Consumer Affairs Bureau that Mr. Barson was arrested by the FBI and that they had also confiscated numerous stacks of letters with checks in them that

had not been opened. We were told at that time that some of those checks dated back 6 months.

I still get letters from people who also lost money. It was very upsetting to me because some of their letters are just distressing to me because they had so much more to lose. I've also received calls from California, Texas, New York, Washington State, and Colorado, all with the same stories. These people have all been offered trips to different places and all have the same story. They answered newspaper ads.

Apparently the man that took our money also had 16 different names for his companies with names like Sea Breeze Travel and Blue Water Travel. I read an article that said he had taken in more than \$60,000 for vacations he never intended to provide and bilked at least 99 people from 21 States and the District of Columbia. I have brought the article with me and I also brought copies of the voucher forms that we filled out and the form letter if you'd like to have them and I'd like to submit them for the record. And if you have any questions, I'd be happy to answer them.

[The prepared statement of Ms. Emmerson follows:]

PREPARED STATEMENT OF BRETT EMMERSON, VICTIM OF MAIL FRAUD

I am 28 years old and a nurse. I am here to tell my story as a victim of mail fraud. I was going back to school to get a bachelors in nursing in 1990 and wanted to take a vacation before I started working full-time after graduating. I was short of cash, and I plunked down all I had at the time for a vacation plan that turned out to be a scam.

It started when my mother saw an ad in the paper. This must have been in August of 1991. The ad said that Great American Vacations was offering Cancun vacations for \$199.00 per person, including air fare, and five days four nights accommodations at a five star hotel.

It was suppose to be the Great American Travel Club. You join the club, and then you get the reduced fair. My mother and father were going to go on this vacation and told me about it. I figured my cousin and I could go too, and we could meet my parents in Mexico.

My mother called the number listed in the ad, and she was put through to a man by the name of "Christopher." He told her that he could send her the Great American Packet by mail, but that she'd have to pay the shipping costs of \$12.00.

We thought this was strange, because we live in Alexandria, and \$12.00 was a little steep for postage. So, my mother and I stopped by the Vienna office promoting the club to join the club. My mother filled out a form with assistance from Christopher Barson at the office. We filled out a form for Fantasy Vacation, Inc. with an address on Viers Mill Road in Maryland and also selected dates. Then she gave him a check for \$398.00, and we left.

I took the form home with me and I filled it out for me and my cousin and made a check out for the same amount. I was told that we would be informed in the mail if the dates we had filled out were acceptable.

The way the scam worked was as follows. They would place ads in newspapers for cruises, and when someone responded to the 800 number, they would be told they could have the package below market rate for advance payment in cash, money order or cashier check. After paying, consumers would get a video, brochures, and a voucher, but no airline tickets. Then, when consumers tried to cash in their vouchers, Fantasy Vacations would not respect the travel vouchers.

Two weeks after I filled out my travel forms, my mother received a computer letter that said they could not accept her form because she had not sent in \$25.00 as a processing fee. So, my mother sent in the \$25.00, along with the packet. Then, I received the next notice. It said that I had not sent the reservation by certified mail, so I was disqualified and had to send in the packet again.

At this point, I went to my mother's, and she had just gotten another letter saying she had not sent all her money in by a cashier's check, so they were sending it all back to her with her personal check.

At this point I realized there was something wrong. My mother told me that she had tried to get a hold of the fellow at the office where we had picked up the forms,

but that she had not been able to get a hold of him. When I realized my mother had not been able to get a hold of anyone, I blew up.

My mother and I went over to the office where we had picked up the forms originally, and there was no one there. There was another travel agency right below their office, and they said that they had seen them boxing up the shop and that the Fairfax County Consumer Affairs had been there to investigate. We went directly to consumer affairs.

I spoke with Fairfax County Consumer Affairs in September and filled out a complaint form. We were told that many other complaints were filled out against Great American Travel and its owner, Michael Barson. That is when we found out that the man at the office who gave us the original application forms, Christopher Barson, was Michael Barson's brother.

I called Fantasy Vacations and Michael Barson after that regularly, and only got answering machines. One day, in the mail, we received a \$200 money order made out to myself and my mother, so we each got \$100 back. Then I heard from the Fairfax County Consumer Affairs Bureau that Mr. Barson was arrested by the F.B.I. and that they had also confiscated numerous stacks of letters with checks in them that had not yet been opened.

I still get letters from people that lost money also, and it's very upsetting to me, because they had even less to lose. I have received calls from California, Texas, New York, Washington, and Colorado. These people had all been offered trips to different places, and all had the same story. They answered the newspaper ad.

Apparently the man that took our money had 16 different names for his companies, with names like "Sea Breeze Travel" and "Blue Water Travel." I read an article that said he had taken in more than sixty thousand dollars for vacations he never intended to provide and bilked at least 99 people from 21 states and the District of Columbia. I have it here, and would like to submit it for the record.

If you have any questions, I would be glad to answer them for you.

Miss COLLINS. How many people did you talk to who had similar experiences?

Ms. EMMERSON. What happened was Fairfax County Consumer Affairs was—unlike your story—they were very helpful. When I initially went to consumer affairs, they told us that our only recourse was to go to small claims court and file.

Miss COLLINS. Is that in Montgomery County?

Ms. EMMERSON. No. This is in Fairfax County.

Miss COLLINS. OK.

Ms. EMMERSON. So I did that. But what happened was I didn't understand the system well enough that you had to file against either the owner, if it's not incorporated, or the company. And I filed against the owner, and he had incorporated a week before I gave him my check, so my claim was thrown out. And that's the first time I met Michael Barson. Then when I heard that he was arrested by the FBI, Fairfax County Consumer Affairs gave me the address of 60 individuals who had also been scammed by Michael Barson, so I wrote everybody a letter informing them that he had been arrested and that there was a preliminary hearing, asking them to come to the preliminary hearing. I also asked them at that time if they wanted to join together in a civil suit and file against Michael Barson, because I called the state attorney in Virginia and there's no such thing, I guess, as—I can't remember what it's called now. Class action. Thank you. And as a result, the FBI was referring people to me thinking that I had a lawsuit going, and I still get calls. A week ago, I got a call.

Miss COLLINS. Did anyone join in with you?

Ms. EMMERSON. You know, I wrote 60 people and I think people are gun-shy about putting money forward. I mean for all they knew, I was a scam, too, saying join a lawsuit and we'll file against him. Only six people responded. But I still get letters. There was

another couple that I had talked to that was also going to go on their honeymoon. Never went. Families that bought packages for the whole family, like eight family members, never went on their vacations.

When I went to the preliminary hearing, Mr. Barson had one man come forward and testify that he actually did go on a vacation, but for the rest of us, I don't think anybody that I know or that I have spoken with has ever been on a vacation, and I consider myself one of the lucky ones since I got a partial return.

Miss COLLINS. Where did the packet—where was the packet shipped from? You received a packet in the mail.

Ms. EMMERSON. It was shipped from their Vienna office, and it was my understanding that they used Federal Express. They also used other deliveries, and that's what the shipping cost was. But they also did mail out information. Like their form letters were all mailed out and that they asked for certified mail for them to receive it. And his argument in his preliminary hearing was the reason that nobody ever went on a vacation is they never filled out the forms correctly or the three dates that they selected were never correct.

Miss COLLINS. How much mail correspondence did you have?

Ms. EMMERSON. With the company?

Miss COLLINS. With the company.

Ms. EMMERSON. I never received their original packet in the mail since we didn't want to pay the \$12 and we went there in person. Then all the correspondence that I received from them was through the U.S. mail, all their form letters sending back our checks saying that we had filled out the information incorrectly. Please resubmit it.

Miss COLLINS. Did you talk with the U.S. postal inspectors?

Ms. EMMERSON. No. I never had any idea that they would be involved, but I did speak with a man in Georgia who contacted his state attorney and his postmaster and they had a conference call on the phone, and I guess the Georgia postmaster was concerned about it, but only after this man's persistence. As far as I know, nothing came of that.

Miss COLLINS. All right. Mrs. Morella?

Mrs. MORELLA. You know, if you went to small claims court, I mean that would be great because I think small claims court is very appropriate. But you would then have the responsibility of collecting the money.

Ms. EMMERSON. I can tell you what happened related to that. I went back to small claims court and I went through their files to see how many people had filed against him and how many people won judgments against him and how many people—I guess you're supposed to notify the court if you actually receive your money so that the case will be considered closed. Nobody ever got their money back, even though that they won judgments against him. And I did—I asked them what happened when people tried to garnish his bank account, and the letter back from the bank was always that there were no funds to garnish. You never get your money back.

Mrs. MORELLA. That's it. You win in principle but you don't win in terms of collecting.

Ms. EMMERSON. Right, you have a judgment on paper. That's it.

Mrs. MORELLA. Exactly. I'm curious about the regulation that Montgomery County has that I mentioned in my opening statement with regard to mail box, post office boxes, having to make sure that they let people know that they are not an office and what kind of business they're involved in.

Ms. EMMERSON. Right.

Mrs. MORELLA. Do you think that kind of regulation, if expanded into other jurisdictions, is of any help?

Ms. EMMERSON. I think it would help. You know, I never went to the address on Viers Mill Road, which was the address that we sent the vouchers in for Fantasy Vacations, but I was told that that was just a mail drop-off. It wasn't like a post office box number but that it was just a mail drop. You know, I think that would make you more skeptical before you sent your money in to just a post office. Usually you expect when you send something in to a company that there are people working there.

Mrs. MORELLA. Absolutely.

Ms. EMMERSON. There's somebody to answer your questions over the phone if you call instead of getting an answering machine over and over again. I think I would have thought about that again. You know, we even called the Better Business Bureau. I don't think the Better Business Bureau is the place to go either because the only way that they will be able to tell you if there's a problem is if they've received a complaint. If they haven't received a complaint, they'll tell you, well, we don't have anything on record. You know, my best bet, I think if I had called consumer affairs first, since they had on record all the complaints filed, I would have been better off.

Mrs. MORELLA. So I guess we have to make people be skeptical and cynical rather than trustworthy, as we usually are as Americans.

Ms. EMMERSON. Yes. I mean it's disappointing to think that but that's true.

Mrs. MORELLA. Thank you for taking the leadership with regard to the number of other victims of mail fraud and appearing before us.

Thank you, Madam Chairman.

Miss COLLINS. Mr. Bishop.

Mr. BISHOP. Ms. Emmerson, were you able to determine what relationship there was between Great American and Fantasy? Were they both phantom companies or was one of them legitimate and the other not?

Ms. EMMERSON. The way it was explained to me was Fantasy Vacations was his base company, his fraudulent base company, and then he created several other companies like Sea Breeze Travel, Great American Travel Club, Blue Water Travel, and those would be the front agency that you would talk with over the phone, and then they would have you fill out the voucher for Fantasy Vacations. Instead, for Michelle, she filled out one for the Wisconsin clearinghouse which was separate. It was my understanding until today that Michael Barson wasn't related to that, but now I hear otherwise. But they're both fraudulent companies.

Mr. BISHOP. Do you know whether or not they were actual corporations or were they just names that were pulled out of the air?

Ms. EMMERSON. Great American Travel was incorporated in Virginia on August 7, 1990, because I finally—I got a hold of the record that he had incorporated but when you called, there was no board related to this corporation. There was only a lawyer. I can't remember what you call them.

Mr. BISHOP. A registered agent.

Ms. EMMERSON. A registered agent. That was your contact person.

Mr. BISHOP. My final question is similar to what I asked Ms. Davidson. Is there anything that you could suggest that we might do in the form of some law or regulations that you believe would prevent the incident that occurred with you—the problem that occurred with you?

Ms. EMMERSON. Right.

Mr. BISHOP. How do you think we could get at that?

Ms. EMMERSON. I think part of it might be what Mrs. Morella said. Making consumers more skeptical about post office box numbers or postal box numbers where it's just a drop where your mail is going some place where there's not really a person. It's not really an office. It's just where somebody can come through and pick up and then they can change box numbers again and they really have no face to it, even with the post office. The information that I understand that you can fill out on a form for a post office box doesn't always have to be entirely correct and you'll get a post office box.

Maybe that might have been one step for me in being a little more skeptical about filling it out and sending it in, but for all intents and purposes, it looked like an office to me.

Mr. BISHOP. You mean if more information were required to get a post office box?

Ms. EMMERSON. To obtain one. Yes.

Mr. BISHOP. OK. I'm trying to grapple with the practical effect of how to—

Ms. EMERSON. Sure.

Mr. BISHOP [continuing]. Implement something like this and I'm trying to weigh what happened to you and to Ms. Davidson against all of the other postal patrons who have post office boxes—

Ms. EMERSON. Right.

Mr. BISHOP [continuing]. Who don't engage in fraud and who otherwise use their boxes legitimately and trying to balance that, and I'm wrestling with that. But I just wanted to—

Ms. EMERSON. I think it's difficult because there are more areas involved than just the Postal Service. I don't think the Postal Service can do this all on their own. There's no way. I don't understand what regulations are about getting a post office box, but it's my understanding that it's very easy to obtain one. You know, it would be too difficult for me to say, well, do a background check on him, because I know he had a lot of—he had a record already against him for fraudulent businesses, not just travel companies. But I don't see how you can do that. It would seem too time consuming and it wouldn't always work out that somebody's record would actually show something that would make you hesitant to give them

a post office box number. I think this is why it's so easy to do this scam.

Miss COLLINS. You know, we're going to have to look into that. It seems as though every county or state has different regulations for post office boxes because Mrs. Morella said that there's something in Montgomery County on post office box. I have one in Detroit and I had to have a street address before I could get the post office box, and someone came by my home to check that street address before I got a PO box number.

Ms. EMMERSON. That's interesting.

Miss COLLINS. And so we'll have to check into it and see if there's a difference when it's a business and see just what the regulations are. Is it up to the postmaster of each post office branch? We'll have to check into that.

It also seems to me sort of amazing that consumer agencies and the Better Business Bureaus don't cooperate.

Ms. EMMERSON. Very much so.

Miss COLLINS. In getting these names together. Also that this person could incorporate when he already had been convicted of fraudulent practices.

Ms. EMMERSON. He had run a construction company that I found legal records of suits filed against him in small claims and in—I forget what the next division up from small claims is. Again, nobody had any results from those as far as getting money back.

Miss COLLINS. And this fraud could have been much more than \$60 or \$65,000. That's the amount that was reported.

Ms. EMMERSON. It was my understanding that was money that he had only taken in a 5-month period that they had record of.

Miss COLLINS. I see.

Thank you very much.

Ms. Julie Campbell from—

Mrs. MORELLA. From Montgomery County, MD.

Ms. CAMPBELL. It just occurred to me. Fantasy Vacations. I wonder how long the brothers laughed about that name.

Ms. EMMERSON. The fantasy?

Ms. CAMPBELL. Yes. And what was the other one? Great World or Great American Vacation?

Ms. EMMERSON. You know, you'll laugh even more. He had aliases that he used where his first name would be Skip and his last name was Town. Skip Town. So I'm sure it was all a lark to them.

Ms. CAMPBELL. Well, I'm here. My name is Julie Campbell and I'm here to speak on behalf of Mrs. Evelyn James, who herself is a victim of mail fraud, and she regrets not being able to be here today.

I'm a neighbor and close friend of Mrs. James and, because of our relationship, I'm intimately familiar with the horrendous experience she had with mail fraud through a company called Worldwide Travel and Tours, Inc. I'm happy to speak with you because I was incensed at the distress and financial loss this fraudulent travel agency has caused this family and clearly other people.

Mrs. James was very excited when she first contacted Worldwide Travel because she felt their advertised discount travel rates would make it possible for her and her family to attend her son's wedding

in Arizona. I also remember how devastating it was when Worldwide Travel sent her a bill for \$11,500 more than she had originally agreed to, was quoted, and set about paying.

Worldwide Travel, a self-proclaimed discount travel company based in Florida, is in fact a post office box in Florida. Mrs. James found this alleged business through an ad in the Washington Post. She was prompted to call Worldwide Travel because of the description of the deep discounted travel package available through them.

Early in February 1992, Mrs. James discussed with Mr. Bob Saflin, a Worldwide Travel representative, her group airline and hotel needs.

During that first phone call, which was 9 months in advance of her proposed travel, Mrs. James agreed to pay \$700 for airfare for 18 people. At that time, she reserved hotel rates of \$39 per person per room. Mr. Saflin told Mrs. James to pay the total airfare costs by VISA during that phone conversation. He also promised to mail her travel brochures with her trip details and reservation request forms. Mrs. James was also told to fill out the names and addresses of each member of her travel party on the reservation forms to be returned to Worldwide Travel, then to mail this information back to Worldwide Travel to confirm and finalize her travel plans.

Mrs. James was happy with the discount trip package that she was promised and she felt she was able to afford to bring along four additional friends. Several days after her first call to Worldwide Travel, she called again and discussed with two different representatives the cost for four additional airfares.

Mrs. James was told her total airfare charges for 22 people—8 of which were children—would be \$900 round trip, so you can imagine her glee. At that second call, she okayed another \$200 VISA charge for the additional four people. It was her understanding that she was now paid full up for the entire cost of airfare for her group.

Mrs. James believed that Worldwide Travel was a legitimate business. She had spoken to three of their travel representatives, each of whom confirmed her group rates for airfare and hotel. She also independently called the hotel that she planned to reserve rooms in to confirm that that rate was available to her.

In late February she received by mail the promised travel brochure and the application reservation form. Nothing in these papers even remotely approximates what anyone would expect in a travel brochure. Here's the travel brochure. It is red. There are no pictures. One talks about Hawaii. She never mentioned going to Hawaii. One just lists hotels around the world. It doesn't say they can get you there. Just lists hotels around the world. And this one is a sample that I'd like to read to you because of its lack of clarity and relevance regarding Mrs. James. She keyed into one figure here and, other than that, she thought this sounded fine.

Worldwide Travel and Tour Inc. is proud to present vacation packages to almost anywhere. We provide airfare for two, round trip with hotel stay of seven nights. Our vacation packages are the hottest in American today. We guarantee all travel as long as all terms and conditions are met. Our certificates are approved by the Attorney General, the State of Florida Consumer Affairs, the Better Business Bureau, Dunn and Bradstreet, and the Chamber of Commerce. We've been in business about 10 years traveling tens of thousands of travelers. We are also proud to say we are 100 percent guaranteed travel. There are no blackout times. We use all the

scheduled air carriers such as Delta, American, Continental, Pan Am, Northwest, Air Canada, Air Hawaii, TWA, et cetera. We also carry a \$6 million bond, \$1 million in each field. We are the only travel agency in the world as far as we know that provides this. What does it mean?

Indeed, what does it mean?

All of our vacation packages are numbered and registered with Attorney General and the State of Florida to guarantee travel. We also use only first class accommodations such as the Marriott, Sheraton, Hilton, Holiday Inn, Best Western, Save Inn, Days Inn, Travel Lodge, et cetera. All of our rooms are \$39 to \$99 per person per night double occupancy.

Thirty-nine dollars. That's what she had agreed to per person. That sounded fair to her. Sounded great to her. She could then take 22 people to her son's wedding, and she thought because she was doing this so far in advance, she was truly getting the discount of the mother of all discounts. She's not sophisticated and doesn't travel much. We'll allow some—of this. OK. I won't finish that one.

Now, I'd also like to read you the form she was to fill out for each of those traveling. This is it. She got one of them. Twenty-two people to travel. She was sent one of these xerox forms. I think this is relevant because of the detailed information it requests. I believe this information is often used by these companies to find future consumers to victimize. Basically, it just says fill it out and it asks for the name, travel companion, your address, and your destination one, destination two, your signature. At the bottom though, it says "Comments or special instructions should be listed on a separate sheet of paper and be sent along with this reservation request form." So on the bottom of the application form, it says the customer should include on a separate piece of paper—not the reservation form but a separate piece of paper—just what their specific traveling plans are.

Mrs. James, not wanting this separate piece of paper to become lost, xeroxed 22 of these, typed out the specific information on all of them, including the rate, room rate that she had agreed to, the hotel and address she agreed to stay in. They must have been stunned when they got it back and it wasn't separate. So she did put all this information, specific information for her trip, on each form and she typed in the requested information on identical forms for each person accompanying her.

She also indicated the hotel reservation and rate she accepted on all the reservations forms, even though, as I've read, Worldwide Travel requested it be put on a separate sheet of paper. She sent in these reservation forms along with checks totaling \$824 as requested for the hotel deposit.

I think consumers are told to indicate their desired travel specification separately from the xeroxed reservation form that Worldwide provided because the consumer can then be told no such particular and specified travel requirements were ever received by the company.

On March 31, 1992, Worldwide Travel mailed Mrs. James a letter informing her that the total cost of her travel package was \$13,731. This was the beginning of a year long nightmare to get her deposits returned. Also, Worldwide Travel claimed Mrs. James had given them only \$550, even though checks and VISA charges which had been accepted by the company by that time totaled \$1,724.25.

Mrs. James, I am happy to report, had partial success in getting her money returned through VISA, which allowed a full charge back of the \$900 on airfare. However, she lost \$850 on airfare and dropped. And they additionally dropped this particular alleged business from their vendor/merchant status.

Mrs. James, after this company was in receipt of her money, she was not able to correspond with anyone in authority at Worldwide Travel, and this has taken place over a year.

I hope through hearing such as this mail fraud and the resultant consumer abuse can be stopped. And Mrs. James also wishes to thank the Montgomery County Office of Consumer Affairs for their very diligent efforts on her behalf, and I'd like to thank you for the opportunity to testify. And the one thing she did get that maybe no one else did was a Gold Card. It makes a nifty bookmark. Other than that, it has no value.

[The prepared statement of Ms. Campbell follows:]

PREPARED STATEMENT OF JULIE CAMPBELL, VICTIM OF MAIL FRAUD

Good morning. My name is Julia Campbell. I will be speaking today on behalf of Mrs. Evelyn James, who regrets being unable to be here herself.

I am a neighbor and a friend of Mrs. James, and because of our close relationship, I am intimately familiar with the horrendous experiences she had with mail fraud through Worldwide Travel and Tours, Inc. I am happy to speak with you today, because I am incensed at the distress and financial loss this fraudulent travel agency has caused this family and no doubt others.

Mrs. James was very excited when she first contacted Worldwide Travel, because she felt their advertised discount travel rates would make it possible for her and her family to attend her son's wedding in Arizona. I also remember how devastating it was when Worldwide Travel sent her a bill for \$11,500 more than the amount she was originally quoted and agreed to pay.

Worldwide Travel, a self proclaimed discount travel company based in Florida, was in fact just a post office box in Florida. Mrs. James found this alleged business through an ad in the Washington Post. She was prompted to call Worldwide Travel because of the description of the deep discount travel packages available through them.

Early in February 1992, Mrs. James discussed with Mr. Bob Saflin, one of the Worldwide Travel representatives, group airline and hotel arrangements that would make it possible for Mrs. James' friends and family to attend the wedding of her son.

During that first phone call 9 months in advance of her proposed travel, Mrs. James agreed to pay \$700 for airfare for 18 people. At that time she reserved hotel rates of \$39 per person per room. Mrs. Saflin told Mrs. James to pay the total airfare costs by her VISA during that phone conversation. Mr. Saflin promised to mail her travel brochures with trip details and specific reservation request forms thereafter. Mrs. James was also told to fill out names and addresses of each member of her travel party on the travel forms to be sent. She was then to return this information to confirm and finalize her travel plans.

Mrs. James was so happy with the discount trip package promised by Worldwide Travel that she felt she was able to afford to bring another four friends. Several days after her first call to Worldwide Travel, she called again and discussed with two different Worldwide Travel representatives the costs for the four additional airfares.

Mrs. James was told her total airfare charges for 22 people—(seven or eight of which were children)—would be \$900 round trip, total.

At that second call she okayed the additional \$200 VISA charge for the additional four people. It was her understanding that this took care of the entire costs of airfare for her group.

Mrs. James believed that Worldwide Travel was a legitimate business. She had spoken to three of their travel representatives, each of whom confirmed her group rates for airfare and hotel. She also called the hotel to confirm the hotel rates.

In late February she received by mail the promised travel "brochure" and application reservation form. Nothing in those papers even approximated what anyone ex-

pects in a travel brochure. There were no pictures, just loose xeroxed papers. I would like to read you one. (reads brochure)

I would also like to read you the form she was to fill out for each of those traveling. I think it relevant, because of the detail of information it requests. I believe this information is often used by these companies to find future consumers to victimize. (reads application)

On the bottom of this application form, here, it says customers should include on a separate piece of paper just what their specific traveling plans are. Mrs. James put the specific information for her trip on each form, not separately, and typed in the requested information on identical registration forms for each person accompanying her. She also indicated the hotel location and rates she accepted on all reservation forms, even through Worldwide Travel requested it be put on a separate sheet of paper. She sent in these reservation forms along with checks totalling the \$824.45 requested for the hotel deposit.

I think consumers are told to indicate their desired travel specifications separately from the xeroxed form Worldwide Travel provides, because the consumer is then told that no such particular specified travel requirements were ever received by the company.

On March 31, 1992, Worldwide Travel mailed Mrs. James a letter informing her that the total costs of her travel package was \$13,731.00. This was the beginning of a year long nightmare to get Mrs. James' deposits returned. Worldwide Travel claimed Mrs. James had given them only \$555.00, even though checks and VISA charges accepted by the company by that time totaled \$1,724.45.

Mrs. James, I am happy to report, had partial success in getting her money returned through VISA, which allowed a full charge back of the \$900.00 airfare. However, she lost over \$850.00, and when she discovered the prices offered by legitimate travel companies, only five of her relatives were able to attend her son's wedding.

Worldwide Travel was a fraud and a scam. After they were in receipt of Mrs. James' money, Mrs. James was not able to correspond with anyone in authority at Worldwide Travel and never got all her money back. I hope through hearings such as this type of mail fraud and abuse can be stopped.

Mrs. James also wishes to thank the Montgomery County Office of Consumer Affairs for their diligent effort.

I thank you for the opportunity to testify.

Miss COLLINS. I think Ann Landers says, if it's too good to be true—if it seems too good to be true, it's too good to be true.

Ms. CAMPBELL. That's my thought. This is a woman who owns a small business, catering business. She has for 30 years. She's trusting, honest. She does business with people that know her and her contracts are oral. If someone's not happy, she makes it right or she doesn't charge them and so that unfortunately, at 64 years old, she's still thinking the world works that way.

Miss COLLINS. How did you find out that Worldwide Travel was just a post office box?

Ms. CAMPBELL. When they sent the brochure, it is listed under their name as a post office box in Sunrise, FL with a phone number and a fax number. In the advertisement in the Post was just listed there that they were in Florida and their phone number.

Miss COLLINS. But you don't know then whether they have an office or not?

Ms. CAMPBELL. When I called Florida, they said—the people in the Better Business office said they couldn't find them as having an office.

Miss COLLINS. It's just that post office box.

Ms. CAMPBELL. Oh, and I also wanted to say Mrs. James feels that she has seen their ad again in the Washington Post but with a slight name change.

Miss COLLINS. Was it reported to the Washington Post?

Ms. CAMPBELL. Yes. They said that particular company by that particular name would no longer be allowed to.

Miss COLLINS. So they changed the name slightly.

Ms. CAMPBELL. Yes, slightly. Oh, and they're incorporated, too, so I think the incorporating may just be kind of something basically you can do at the drop of a hat and little bit of money.

Miss COLLINS. Did Mrs. James talk to the mail inspectors during all—

Ms. CAMPBELL. No.

Miss COLLINS. She never issued a complaint to them?

Ms. CAMPBELL. No.

Miss COLLINS. How about the Better Business Bureau?

Ms. CAMPBELL. Perhaps through Montgomery County, they did it, but I wrote the letters for Mrs. James and I know that I did not write to the Better Business Bureau.

Miss COLLINS. We've been joined by Congressman Gilman. And did you have an opening statement?

Mr. GILMAN. Yes. I want to commend you, Madam Chair, for your concern and your interest in the issue of fraud and what we can and should be doing in the Congress to bring it under control.

We've heard from a number of our constituents about these cases of fraud and I think it's important to increase public awareness about the continuing growth of this kind of fraud in our society. This committee has addressed these issues in past Congresses adopting more stringent laws regarding types and designs of mail matter and prohibitions against mail and matter resembling Government documents such as social security checks. As one member of this committee, I stand ready to assist you in addressing these matters and we look forward to hearing more from the witnesses today. I want to welcome the witnesses who have been willing to take their time to help us focus on this issue.

Thank you, Madam Chair.

Miss COLLINS. Thank you very much.

Mr. Bishop.

Mr. BISHOP. I just want to say to Ms. Campbell that I am very, very sympathetic because it's information that needs to be known. We need to bring it up so that we can enact whatever policy is within our jurisdiction to enact to try to prevent these kinds of things from continuing to happen, so thank you for coming.

Miss COLLINS. Thank you.

Mr. Mike Desai from Columbia, SC.

Mr. DESAI. Good morning. My name is Mike Desai. I'm an industrial engineer from South Carolina. I'm 23 years old and I was a victim of mail fraud. I'm here today to let you know what happened to me and I hope that you can stop it from happening to others.

In December 1992, I decided to buy a computer for work. I made the mistake of calling up a company called PC Liquidators located here in Washington. I had seen an ad for the company in the State newspaper and I assumed that it was legitimate. After seeing the ad, I called National PC Liquidators on the phone for information and was told someone would call me back. I was then called and spoke to a person by the name of Mike Reilly. In response to my questions for information about National PC Liquidators, Mr. Reilly told me that it had been operating for about 9 months and had six to nine sales representatives and that the company was selling IBM clones from \$1,200 to \$3,500 each depending on the system.

However, the company seemed a little odd to me because Mr. Reilly informed me that the only method of payment they could accept was by wire transfer or money order in the mail. They told me this was because they could not guarantee a price unless they ordered the components from the wholesaler the day they made the sale. That's the line they used on all people that they gave. I was suspicious about this fact that they only accepted this form of payment, so I called the Better Business Bureau here in Washington, DC. When I called the business bureau, there was no record of any complaints against the company, so I figured the company was legitimate.

Actually, I find out later that the complaint was first filed with the company in October 1992 but the Better Business Bureau had not recorded it or put it into their system, so it was 2 months before I had called them that they had received their first complaint.

After speaking with National PC Liquidators several more times, I decided the product sounded like a good deal. The people I spoke to over the phone at National PC Liquidators had all the technical information on computers so that made me feel that the company was legitimate. The prices certainly weren't cheap but they seemed correct. I mean it wasn't an outstanding deal but it was a good deal. So I decided to buy the computer.

Also, a big part of my decision to buy the computer was that National PC Liquidators gave me a reference upon request. This was a prior customer who was quite satisfied with their product. I called this customer and he told me that he was satisfied with his computer but that the only problem was that it tended to take a long time for it to arrive. I spoke a few more times with the sales representative at PC Liquidators and they were very friendly but also quite aggressive. I finally decided to buy and placed an order for a computer. \$2,525 was wired to National PC Liquidators on December 14 in their account here in Bethesda.

About 2 weeks after that, I tried to call National PC Liquidators again to order a little more equipment and to see when the computer would arrive, but I only received their answering service. After this, I called continuously, almost on a daily basis, but no one ever returned my calls.

Originally, the people at National PC Liquidators had said it would take at least 2 to 4 weeks to receive the computer but after 6 weeks and not receiving the computer, I decided to call my reference and see if I could get any information from him. I called this fellow and he had told me that he had, since speaking with me the last time, ordered more equipment but he hadn't received it. He also told me that he had been contacted by other consumers who had complained about not receiving their computers. Finally, he gave me the name of a postal inspector who was conducting an investigation of the company.

I had my brother call National PC Liquidators to see if he could extract some information from them. National PC Liquidators solicited him and tried to get him to buy a computer as well. I also contacted Best Data Systems which was National PC Liquidators' vendor at that time, and they had told me that they had not received payment for services they had rendered to National PC Liquidators.

I contacted the postal inspector and he notified me that there was an ongoing investigation. Two months ago, I heard from the postal inspector that their investigation was closed and that he had forwarded all the information to an Assistant Attorney General here in Washington. Since then, I have also contacted the FBI, the South Carolina Department of Consumer Affairs, and the Postal Inspection Service here in Washington.

I have not received any of my money and I believe that this money is gone for good. I'm pretty sure I won't get it back. At this point, I'm not sure that I'll ever get it back.

I would like to get the names of other consumers involved to get a class action suit started but I've been told that this information is confidential by the postal inspector, so I can't pursue that avenue.

I hope this subcommittee can do something about this problem. To my knowledge, National PC Liquidators is still operating even though they have received, I believe, 98 complaints so currently as we're speaking they could be soliciting more customers and accepting money and the least I hope we can do out of this is stop them by some legal device.

Thank you.

[The prepared statement of Mr. Desai follows:]

PREPARED STATEMENT OF MIKE DESAI, VICTIM OF MAIL FRAUD

My name is Mike Desai. I am an industrial engineer from South Carolina. I am 23 years old, and I was a victim of mail fraud. I am here today to let you know what happened to me, in hopes that you can stop it from happening to other people.

In December 1992, I decided to buy a computer. I made the mistake of calling up a company called "P.C. Liquidators" after seeing an ad in the paper. Their offer sounded to me like a good deal, and the people I spoke to over the phone had all the technical information on computers; so I figured they were legitimate. I spoke to the company's vendors, and they sounded like they knew what they were talking about too. At first they were pretty aggressive, and I was a little skeptical; but then, they were very friendly and gave me a reference of a prior customer, who was quite satisfied with their products. For these reasons, I figured the company was legitimate. However, I also took the step of calling the Better Business Bureau, and the company had no bad record; so, I decided to buy a computer through "National P.C. Liquidators."

I wired the money. This was in December. I then received a fax in January on why I didn't get my computer. Then, after this, they wouldn't return my phone call, and I finally received a letter indicating that they would not return my money.

My brother called the same number I did sometime later, and they tried to solicit him as well. I contacted the F.B.I., the South Carolina Department of Consumer Affairs and the Postal Inspection Service in Washington. I never did get my money back.

I hope this subcommittee can do something about this. There are a lot of legitimate companies out there, but a lot of fraudulent companies. It is hard for consumers to tell the difference. I would be happy to answer any questions you might have.

Miss COLLINS. Mr. Desai, you saw an ad in the paper.

Mr. DESAI. That's correct.

Miss COLLINS. Going over your testimony, I don't see any mail. What was the mail involved?

Mr. DESAI. They accepted orders through the mail or by wire transfer.

Miss COLLINS. Oh, I see. And the money was by wire.

Mr. DESAI. That's correct. I was quite hesitant at first and, looking back, rightfully so but I decided the wire transfer would be the easiest way and the fastest way.

Miss COLLINS. You decided to do that because of the one person?

Mr. DESAI. Well, I spoke with the reference, I spoke with the Better Business Bureau.

Miss COLLINS. They gave you that name. Is that right?

Mr. DESAI. That's correct. And it turns out that this reference has now also filed a complaint because of the past order they had.

Miss COLLINS. I see.

Mr. DESAI. And I also spoke with their vendors in Santa Clara, CA and it checked out with them, too, that they were——

Miss COLLINS. Legitimate.

Mr. DESAI. Yes.

Miss COLLINS. But they couldn't tell you anything about the company.

Mr. DESAI. That's correct.

Miss COLLINS. What did the FBI do?

Mr. DESAI. The FBI in South Carolina basically just contacted the FBI here and they found out that there was already an investigation going, so that was the end of it.

Miss COLLINS. Do you know what's become of that investigation?

Mr. DESAI. I spoke with Inspector Larry Fryer. He's the one that was conducting the investigation. And he told me he has closed the investigation 2 months ago and forwarded this information to the Assistant Attorney General and, as of yet, nothing has happened.

Miss COLLINS. So they're still operating. Do you still see the ads?

Mr. DESAI. No. No, I don't. I'm sure they've placed ads in other—the other 98 complaints from far as Texas to North Carolina to Kentucky, so I think what they do is just jump around from State to State.

Miss COLLINS. Was it a daily newspaper?

Mr. DESAI. That's correct.

Miss COLLINS. I see. And then your brother called?

Mr. DESAI. Yes. I had him call to see if this company would continue to solicit other people. At first, I thought maybe they were filing for bankruptcy but, if that was the case, then they couldn't solicit more customers so——

Miss COLLINS. Where's the company located?

Mr. DESAI. On Wisconsin Avenue. I'm going to try to visit them right after this hearing.

Miss COLLINS. So they have a street address?

Mr. DESAI. Yes. They have a street address and a suite number. I don't know if it's a false front or not, but I'll find out.

Miss COLLINS. Did they recommend that you sue or——

Mr. DESAI. They told me I could sue but, being from South Carolina, to file a suit out of State would probably cost more than the computer itself. I'm trying to get a class action suit started. That way we could all afford it. But there's no way for me to get the names of everyone else that was involved.

Miss COLLINS. Because the postal inspector said that was confidential.

Mr. DESAI. That's correct. I also called the bank that this company banks at and warned them that, you know, watch for unusual transactions, but they couldn't give me any information as well because of confidentiality.

Miss COLLINS. Did they receive your information?

Mr. DESAI. Yes.

Miss COLLINS. Did they welcome your information?

Mr. DESAI. Yes.

Miss COLLINS. The inspector you spoke with was the FBI.

Mr. DESAI. No. He was a postal inspector.

Miss COLLINS. Postal inspector?

Mr. DESAI. That's correct.

Miss COLLINS. Did he say whether or not he was seeking a mail stop order?

Mr. DESAI. No, he didn't.

Miss COLLINS. He did not.

Mr. DESAI. No, he didn't. But——

Miss COLLINS. He's the one who turned it over to the Assistant Attorney General?

Mr. DESAI. That's correct. As far as I know, the company wasn't stopped because for the past 7 months I've been calling continuously and their number is still valid so——

Miss COLLINS. Is that right?

Mr. DESAI [continuing]. I assume that they're still operating.

Miss COLLINS. Mr. Bishop.

Mr. BISHOP. Yes. You indicated that the reference had received some computer equipment——

Mr. DESAI. That's correct.

Mr. BISHOP [continuing]. From the company and, based upon that, you assumed—and subsequent the fact that the reference indicated that he was also filing a complaint that he had lost money, do you assume that the reference was not connected with the scam?

Mr. DESAI. That's correct, because the reference was also involved in this investigation. I believe the scam was that they had one person and they gave them their computer or two people possibly, and then they used this person over and over again as a reference.

Mr. BISHOP. The other question. Do you think that the company may have been a legitimate company that for some reason experienced financial difficulty and then was not able to deliver?

Mr. DESAI. I considered that but, if it was the case, then it would not be right for them to solicit more customers knowing they couldn't fulfill their orders so I could pursue criminal action that way. And there was no bankruptcy claim filed so——

Mr. BISHOP. But basically what has happened is it has been investigated criminally.

Mr. DESAI. That's correct.

Mr. BISHOP. But your bottom line is you're out of pocket.

Mr. DESAI. I'm out of pocket and I've pretty much resigned the fact that I will not get my money back but I would at least like to see some justice taken and at least stop this company from soliciting more customers because I'm sure there's still other people that call and if they send their money in, it's guaranteed they're not going to get it back, so why have more and more people lose their money? I mean I've learned an expensive lesson, but I'd hate to have more people learn quite an expensive lesson.

Miss COLLINS. Mr. Gilman.

Mr. GILMAN. Thank you. How much did you pay for your computer?

Mr. DESAI. \$2,525.

Mr. GILMAN. And in what manner did you make that payment?

Mr. DESAI. A wire transfer from my Nation's Bank account to their account here in Bethesda.

Mr. GILMAN. And did you get a receipt of your check having been endorsed?

Mr. DESAI. Yes. I have a receipt, a purchase order that was faxed to me at work and I also received a fax saying that they were sorry it was late and that they would get the computer to me in the following 2 weeks. And I caught them in a lie, as a matter of fact, because the letter said that the reason I hadn't got it was my sales representative was on vacation, but my brother spoke to that sales representative on the time he was on vacation, so I'm pretty sure that it's just a scam.

Mr. GILMAN. Are any of the principals still around, do you know?

Mr. DESAI. No, I don't.

Mr. GILMAN. They just closed up shop completely?

Mr. DESAI. That's correct. I tried to get his home phone number but it's unlisted. There are three Mike Reillys here in Washington and the other two weren't it.

Mr. GILMAN. And what did the postal inspector report to you?

Mr. DESAI. All he told me was that when it does go to trial he'll report it to me and, after the conclusion of the trial, he'll post a warning in the newspaper and send out a letter. By that time, it'll be too late.

Miss COLLINS. That's not the postal inspector. That's the Attorney General, isn't it?

Mr. DESAI. No. That's the postal inspector.

Miss COLLINS. Oh, the postal inspector.

Mr. DESAI. I asked him for the Attorney General's name and number but he said it probably wouldn't do me any good to speak with him.

Mr. GILMAN. Which Attorney General?

Mr. DESAI. The Assistant Attorney General here in Washington. That's what he told me.

Mr. GILMAN. He is with the Justice Department?

Mr. DESAI. That's correct.

Mr. GILMAN. He didn't give you the name of the prosecutor?

Mr. DESAI. No, he didn't.

Mr. GILMAN. Did they ask you to appear as a witness?

Mr. DESAI. He said I might be called as a witness and to start tracking my phone calls to the company, so I've been doing that but, as of yet, I haven't received any notification to appear.

Mr. GILMAN. How long ago was it that he informed you that there would be a prosecution?

Mr. DESAI. About a month and a half, 2 months.

Mr. GILMAN. And you haven't heard any word since that time?

Mr. DESAI. No, I haven't.

Mr. GILMAN. Thank you.

Miss COLLINS. I have one final question. In your written testimony you said you finally received a letter indicating you would not get your money back.

Mr. DESAI. That information is incorrect. I received a letter saying I would get the computer within 2 weeks, but I didn't get the computer.

Miss COLLINS. Did you ask for your money back?

Mr. DESAI. Yes, I did. In fact, I sent—I faxed them a letter, a quite threatening letter, telling them that I was going to pursue criminal action, but I haven't received any response at all.

Miss COLLINS. This committee would be interested in knowing what happened when you visit Wisconsin Avenue. We'd like to—you'll give him our number. We'd like to know if in fact a legitimate company is there or that's just a drop—what do you call it? A mail drop.

Mr. DESAI. Well, it has a suite number to it so I assume it's an office, but it could be an empty office.

Miss COLLINS. What's the address? Do you know?

Mr. DESAI. Yes. I have it right here. 4427A Wisconsin Avenue, suite 200.

Miss COLLINS. Thank you very much. I have to tell you, this committee is very grateful for you taking the time and effort to come and testify. I believe that your problems are just legion in this country. Everyone just could not come from all over the country to testify and so we commend you very much for taking the time and effort and the expense to come. Hopefully we will have some legislation come out of the hearings. I believe there will be at least one other hearing, possibly two.

Yes?

Ms. CAMPBELL. May I offer a recommendation?

Miss COLLINS. Yes.

Ms. CAMPBELL. The letter that was sent to Mrs. James and I assume all of you inviting us to come and testify is read, I think, by not a few people as intimidating, particularly when you have a half-inch file and the request is that you make 100 copies of what people assume is their half-inch file and that starts—they think, God, I got shafted by this mail fraud and now I've got to go fork over a lot of money to be able—when I called and found out that was not necessarily true, that help could be provided, it certainly made a difference and I just assume there are plenty of people that don't bother to call.

Miss COLLINS. That could be. Generally when we have hearings, they're usually companies or Government agencies and we ask for so many copies so all the committee members can receive copies and then the people who attend the hearings can receive copies.

Ms. CAMPBELL. Right. But some of us, for instance, aren't Elizabeth Taylor.

Miss COLLINS. But if there's a phone number there, hopefully the constituents will call and inform us that they're unable to give us the copies and I'm sure that my staff will work with them. That's what happened, isn't it?

Ms. CAMPBELL. For me it is. I just wondered how many others perhaps just looked at the letter and said, oh, my, I can't do this.

Miss COLLINS. I don't know.

Ms. COOPER. I don't think very many, right, because we did offer that assistance if you could not. We'd be more than happy. But

that's just committee rules that we have to ask for a certain amount.

Miss COLLINS. Thank you very much.

Our second panel consists of Ms. Emma Byrne, Director of New Jersey Consumer Affairs. Congresswoman Rosa DeLauro from Connecticut called us. She is not able to be with us, but she gave you high commendations.

Ms. BYRNE. Thank you, Madam Chair.

Miss COLLINS. Ms. Peg Mullen, New Jersey Consumer Affairs for Victims of Mail Fraud. Ms. Wenona Russo, victim of mail fraud, Flemington, NJ. And then Mr. Eric Friedman, Investigator, Montgomery County Consumer Affairs and Ms. Leona Roderick. Welcome to the hearing. We look forward to your testimony, and thank you very much for traveling to the city to testify and share your concerns with the other people who've suffered mail fraud also.

STATEMENT OF EMMA BYRNE, DIRECTOR, NEW JERSEY CONSUMER AFFAIRS; ACCOMPANIED BY PEG MULLEN, NEW JERSEY CONSUMER AFFAIRS FOR VICTIMS OF MAIL FRAUD; WENONA RUSSO, VICTIM OF MAIL FRAUD; ERIC FRIEDMAN, INVESTIGATOR, MONTGOMERY COUNTY CONSUMER AFFAIRS; LEONA RODERICK, VICTIM OF MAIL FRAUD

Miss COLLINS. Ms. Emma Byrne, Director of the New Jersey Division of Consumer Affairs.

Ms. BYRNE. Thank you, Madam Chair. I'm very grateful this morning to have the opportunity to appear before you and to speak to you about a problem that I believe is larger than most people recognize.

The issue is mail fraud, but defined as sweepstakes or contests or lotteries. I believe it's fair to say that the sweepstakes direct mail business in this country today is a multi-million dollar a year industry. Speaking from our experience in New Jersey, direct mail sweepstakes solicitations have reached epidemic proportions. That mail is not simply a nuisance. It's not simply junk mail. In too many cases it's outright consumer fraud and in too many cases it causes severe financial harm to those who are the most vulnerable, the elderly.

Since I began speaking about this New Jersey epidemic, I've heard stories which I would have found unbelievable had we not investigated and obtained proof. The niece of an 83-year-old Woodbridge, NJ, man came to us to say that since she had begun helping her uncle to do his bookkeeping and to pay his bills—his household bills—she realized that during 1992 alone he had spent over \$20,000 on sweepstakes contests and foreign lotteries. I have with me today the 22 pounds of mail that this gentleman received just in the month of January of 1993 alone. Since he would enclose a check with each envelope that he received, he began receiving up to seven or eight duplicates a day, as you can see that these are color-coded. It is illegal in New Jersey to notify someone that they have won a prize and then require them to pay money to get it.

I would suggest this morning that if this is not consumer fraud and a consumer protection issue, it's certainly an environmental protection issue.

I'm joined here this morning by a New Jersey consumer who wanted to tell her story and a member of our staff who's here on behalf of an 80-year-old consumer who was scheduled to be here this morning but who became ill and could not make the trip.

Let me tell you about two others who could not be here today. A son helping out his hospitalized father found over \$45,000 worth of canceled checks written to sweepstakes companies. The father had written so many checks he didn't bother to even record them in his checkbook. The friend of a 90-year-old woman told us that prior to entering a nursing home, her elderly friend spent \$49,000 entering sweepstakes that was advertised as expensive merchandise in order to win a prize. We went to the woman's home and we now have a small room full at New Jersey Consumer Affairs of the merchandise she had to purchase in order to become eligible to win a prize. Costume jewelry, pens, cleaning fluid, coupons, combs. All of it together can't possibly be worth more than \$1,000 but she spent \$49,000 to get it.

What drives this epidemic? I believe it's list brokering. The buying and selling and trading of lists. Lists containing age and zip code data overlaid with census data, current census data, other donor lists, volunteer lists, veterans lists, department store credit customer lists, cable TV subscriber lists, and credit reporting agency lists containing some of the most sensitive consumer information available.

It is my view that the buying and selling of these lists is the cause of more consumer fraud than virtually any other single factor. Telemarketing fraud is driven by list fielding, 900 number operations, postcard solicitations, direct mail, the 900 number activity, advance fee loan broker activity, and I could go on. And it's not just the private sector that's selling, that's selling lists and selling names and data. New Jersey happens to be one of a very few number of States that does not sell its motor vehicle data for commercial purposes and they never have. Even the postal service unfortunately sells lists of consumers who have registered a change of address.

I believe the consumers have a right to know information that they are giving to a business or to government is going to be sold and consumers should be given the opportunity to opt out. Some companies already offer opt out options. I urge the postal service to join that list. Before a company or an agency makes a list available, they should be required periodically to ask consumers to affirmatively opt out.

My second suggestion to you would be to help us crack down on foreign lottery solicitations and some of this mail contains those solicitations. There are at least a dozen foreign lottery mail appeals in this 22 pounds. Requesting money to buy foreign lottery tickets is a violation of both New Jersey and Federal law, but we are powerless to take action against foreign operators. We have no ability to enforce judgments or to request injunctions. The postal service can issue false representation orders against illegal mailings from foreign operators and these orders will allow the postal service to intercept any mail sent to the foreign lottery, stamp on it false representation and return it to the sender.

The State of New Jersey additionally could use a liaison in the chief inspector's office to help process these complaints, be the central repository for that communication and to issue orders where appropriate.

And finally, Federal law suits. States are currently discouraged from going after companies located in other States because of difficulties enforcing judgments across State lines, and I heard your first panel discuss and describe that interstate difficulty. Our ability to combat mail fraud would be greatly enhanced if we were allowed to take action against fraudulent sweepstakes in Federal courts.

New Jersey consumers have been plagued by volumes of deceptive and misleading sweepstakes offers and other promotions and I know that we are not alone.

We thank you this morning, Madam Chair, for your willingness to help us find solutions.

[The prepared statement of Ms. Byrne follows:]

PREPARED STATEMENT OF EMMA BYRNE, DIRECTOR, NEW JERSEY CONSUMER AFFAIRS

Madam Chairwoman, I am very grateful for the opportunity to be able to appear before you today to speak to you about a problem I believe is larger than most people recognize.

The issue is mail fraud—but defined as sweepstakes, or contests or lotteries. I believe it's fair to say that the sweepstakes direct mail business in this country today is a multi-million dollar a year industry. Speaking from our experience in New Jersey—direct mail sweepstakes solicitations have reached epidemic proportions.

That mail is not simply a nuisance. It is not simply junk mail. In too many cases it's outright consumer fraud. And in too many cases it causes severe financial harm to those who are the most vulnerable—the elderly.

Since I began speaking about this "New Jersey epidemic", I have heard stories which I would have found unbelievable had we not investigated and obtained proof. The niece of an 83-year old Woodbridge, New Jersey man came to us to say that since she had begun helping her uncle do his "bookkeeping" (paying household bills) she realized that during 1992 alone, he had spent over \$20,000 on sweepstakes, contests and foreign lotteries.

I have with me the 22 pounds of mail this gentlemen received just in the month of January, '93. Since he would enclose a check with each envelope, he began receiving up to seven and eight duplicates a day. It is illegal in New Jersey to notify someone they have won a prize and then require them to pay money to get it. Madam Chairwoman, if this is not a consumer protection issue, it certainly is an environmental protection issue.

I am joined here today by 2 New Jersey consumer's who wanted to tell their stories. Let me tell about two others who could not be here today.

A son helping out his hospitalized father, found over \$45,000 worth of canceled checks written to sweepstakes companies. The father had written so many checks, he didn't even bother to record them all in his checkbook.

The friend of a 90 year old woman told us that prior to entering a nursing home, her elderly friend spent \$49,000 entering sweepstakes and buying "expensive" merchandise in order to win a prize. We went to the woman's home and we now have a small room full of the merchandize she had to purchase in order to become eligible to "win" a prize. Costume jewelry, pens, cleaning fluid, coupons,—all of it together can't possibly be worth more than \$1,000. But she spent \$49,000 to get it.

What drives this epidemic? List brokering. The buying, selling and trading of lists. Lists containing age and zip code data, overlaid with census data, donor lists, veterans lists * * * department store credit card customer lists, cable T.V. subscribers, credit reporting agency lists containing the most sensitive consumer information available.

It is my view that the buying and selling of lists is the cause of more consumer fraud than any other single factor. Telemarketing fraud, 900 number operations, advance fee loan broker activity, and so on.

And it's not just the private sector that's selling. New Jersey is one of a very small number of states that does not sell its motor vehicle data for commercial purposes.

Even the postal service sells lists of consumers who have registered a change of address.

Consumers have a right to know information they are giving to a business or to government is going to be sold and consumers should be given the opportunity to "opt out."

Some companies already offer opt-out options. I urge the postal service to join that list. Before a company or an agency makes a list available, they must be required periodically to ask consumers to affirmatively "opt out".

My second suggestion to you would be to help us crack down on foreign lottery solicitations. There are at least a dozen foreign lottery mail appeals in this 22 pounds. Requesting money to buy foreign lottery tickets is a violation of both New Jersey and Federal law. We are powerless to take action against foreign operators. We have no ability to enforce judgements or request injunctions. The Postal Service can issue foreign Fraud Orders against illegal mailings from foreign operators. These orders will allow the Postal Service to intercept any mail sent to the foreign lottery stamp on "Foreign Fraud" and return to sender. The State of New Jersey could use a liaison in the Chief Inspector's Office to help process these complaints and issue orders where appropriate.

Finally, Federal suits. States are currently discouraged from going after companies located in other states because of difficulties in enforcing judgements across state lines. Our ability to combat mail fraud would be greatly enhanced if we were allowed to take action against fraudulent sweepstakes in Federal courts.

Miss COLLINS. Thank you very much. Going to your foreign lottery tickets, you say it's against the law, both Federal law and New Jersey law to request money for lottery but you're unable to do anything about the mail that comes in. Isn't the mail usually written on the front of the envelope that it's a lottery?

Ms. BYRNE. We could go through some of this and I will leave some of this for your committee. The lottery in New Jersey, because we have such an active lottery, prohibits competing lottery activity. I believe the problem exists when consumers, if it is not clearly marked in terms of envelope solicitation and direct mail, that when they send these checks and return to foreign addresses, that is, I think the point where we need to have the post office attempt to intercept, once some of these have been identified and be able to be returned.

Miss COLLINS. I brought my own show and tell. I got a sweepstake notification and if I had matched one of five numbers I'd won about \$50,000 I think, and I matched one of the numbers, but I didn't have to send any money. They just encouraged me very strongly to buy a piece of jewelry for \$18. And I read this carefully. I read this as carefully as I do legislation and I still believe I won. According to all of this stuff, I'd won.

Ms. BYRNE. And it doesn't require your participation by purchasing?

Miss COLLINS. Actually, I believe they're getting quite smart because, "Furthermore, although no purchase"—no. It's \$5,000 cash award. "Although no purchase or obligation is required in order to win and claim the \$5,000 cash award, please order at least one." Then there's an affidavit claim form. A five thousand dollar affidavit claim form. So I guess I won.

Ms. BYRNE. Well, I think it goes beyond though. First of all, I think most customers are probably very familiar with a nationally known sweepstakes offer solicitation that thousands of those returned claim forms were found along a highway in Long Island and in that case, I believe it was a magazine entry. And so while the solicitation as your received said "No purchase required in order to be entered into the contest," these mail bags of entry forms were

found along the highway and the company entered and made a special effort and was required in the settlement to compensate and to enter those people in that drawing in a separate drawing.

I think what consumers need to know, in addition to what you have read in that particular solicitation, is really I think an enormous amount of consumer disclosure in any of these solicitations. What are the odds of winning in terms of therefore what are the number eligible, what's the size of the universe that's eligible that's entered or a reasonable estimate thereof? What is the date of the drawing? How long does this contest go? How long are we going to, you know, use this promotion before we determine and pick a winner? What is the value of the prizes and by value it should be what an item really actually costs in a local market for sale, a realistic price. And then the requirement, I think, to disclose you must pay X number of dollars to win this item in very clear, conspicuous and easy to read, easy to find, easy to understand terms, or you must pay to make a purchase to receive this item, if that's the case. So I think what we need to be moving toward is more consumer disclosure. But, beyond that, I think you need to find root causes and root causes, I believe, are the sale, the list, the trading, the buying of lists, and where government is involved in helping to foster and to feed this kind of activity where public sector is involved, whether it's motor vehicle divisions or postal service, that's where I feel that we have an obligation to step in and to ask questions.

Miss COLLINS. Also the census. The census sells their lists.

Ms. BYRNE. Exactly. Sells data which is then overlaid on other data lists, databases, and you can very easily target age. Age is a very valuable commodity to buy. Current zip code data is a very valuable commodity. Income levels. Socio-economic.

Miss COLLINS. Do you think they prey on the elderly?

Ms. BYRNE. There's no question in my mind. There's no question in my mind.

Miss COLLINS. These sweepstakes, almost as though if someone says "Send this money in now," they just automatically send it in. I know—just to get personal—my mother is so conscientious about paying bills that she pays her bills before she pays her rent. So if someone sends a notice like a bill—

Ms. BYRNE. Exactly.

Miss COLLINS. I'm so fearful that she would just pay that, and I had to catch the hospital bills because they send the bills, even though Medicaid is paying or the Blue Cross is paying but they still bill the senior citizen. And I called one day to ask "Why did you send my mother this bill?" and they said "Well, just in case Medicaid doesn't pay it quickly enough, she can pay it and then they'll reimburse her." But they won't reimburse her unless she asks them to reimburse her. And that's a type of mail fraud and that's perpetuated by hospitals.

Ms. BYRNE. Exactly. That's really, I think, the—

Miss COLLINS. And doctors, and this is really far-reaching, isn't it?

Ms. BYRNE. I characterize it as an epidemic and that's why 900 number telephone activity was so tough to fight because you're absolutely right. Seniors, particularly when it comes to their telephones and they don't want their telephones closed, so if there is

a 900 number to call. We closed down an operation in New Jersey last year. There was a massive direct mail campaign directed through a 900 number telling people you had a package waiting for you, a delivery, final notice. And it was done on a green look-alike post office, U.S. Post Office look-alike package delivery waiting postcard. Final delivery attempt. All of the right language. And call this 900 number and you will receive delivery on your package. We, because of telephone records that we were able to subpoena from MCI, long distance carriers, AT&T, over three quarters of a million dollars on only four of those promotions in 4 months. Three quarters of a million in 4 months, and they had 29 other promotions going at the same time.

Miss COLLINS. Were they prosecuted?

Ms. BYRNE. They certainly were.

Miss COLLINS. They were?

Ms. BYRNE. They absolutely were. The attorney general's office in New Jersey certainly absolutely took action.

Miss COLLINS. So they were in New Jersey?

Ms. BYRNE. No. No. They do not mail in New Jersey. The format is you do not mail in the State in which you have your corporate address. You mail out of state and, therefore, you know, there are companies—I mean advance fee loan broker operations. Again, local ads in local newspapers that these folks described to you earlier in terms of travel scams. These we called recession rip-offs. Tight credit, and you would find these ads in local newspapers and weekly shopper type newspapers. Need money? Tight credit? Need cash? Guaranteed credit approval over the phone. Sure. And we closed 11 of those operating in New Jersey, none of whom were calling New Jersey consumers, but calling out of the State.

Miss COLLINS. Mr. Gilman?

Mr. GILMAN. Thank you, Madam Chair.

What's the penalty in New Jersey?

Ms. BYRNE. The New Jersey Consumer Fraud Act penalties, as a matter of fact, were tripled last year by our Governor and so for a first offense, it's a \$7,500 penalty and we can define offense as liberally as we choose, and up to \$15,000 per offense for second and subsequent violations.

Mr. GILMAN. Is each mailing a separate offense?

Ms. BYRNE. We can so determine.

Mr. GILMAN. Have you determined that? They sound like pretty reasonable fines to me, like there's not too much of a concern.

Ms. BYRNE. We attempted to—in fact, when the attorney general's office took action against this 900 number direct mail operation that I described to you, this package delivery service, this post office look-alike, we went to superior court in a local county where the business was located and we were told by the judge, in fact, that we were too greedy. So our settlement offer was modified, if you will, but we attempt to not make this a cost—fines and penalties, not make it the cost of doing business and allowing people to just build it into the cost of doing business. We want it to cost real money and we want consumer restitution. We had attempted to do that with these solicitations.

Mr. GILMAN. What's the heaviest fine that you've imposed?

Ms. BYRNE. It had to do—well, in the history of our agency, it had to do—last year our Office of Consumer Affairs conducted a 4 month undercover investigation of the auto repair industry in our State and that resulted in the Sears Roebuck settlement agreement and it has cost Sears multi-millions of dollars to do consumer restitution. That is probably the largest case that we certainly have ever had but it's had national implications. Beyond that, I would presume that this direct mail, this 900 number activity, was a \$100,000 settlement and that is, I think, the largest in the 22-year history of consumer affairs.

Mr. GILMAN. Aside from the fine, is there any criminal violation?

Ms. BYRNE. We did not prosecute this—the attorney general's office did not prosecute this direct mail—this 900 number activity criminally.

Mr. GILMAN. Is there a criminal violation on your books?

Ms. BYRNE. Our attorney general's office could impose criminal—could impose. For fraud, yes, there are criminal sanctions.

Mr. GILMAN. And had those been utilized at all?

Ms. BYRNE. Not in this particular case.

Mr. GILMAN. In any of the consumer mail cases that you're aware of, has the criminal—

Ms. BYRNE. This is really something that we and that I've just begun to focus on and to identify the scope and the size of the problem as it exists in the State I would say within the past 6 or so months and have been stunned by the number, by the proportion of activity, by the volume of activity and the depth of personal consumer harm.

Mr. GILMAN. Ms. Byrne, is there something that you would recommend to this committee that we can be more helpful in what you're doing?

Ms. BYRNE. I would suppose that my recommendations would be that the Postal Service, I mean particularly having to deal with this committee, that the Postal Service and all public entities consider very carefully the need, the necessity to sell data and that it must be available by virtue of right-to-know laws and public information requirements, then that consumers be allowed the opportunity periodically to opt out and if it's by way of a checkoff either through your department store credit cards periodically, do not sell my name, I do not wish my name to be bought and sold. Check that box. That if a post office, the Postal Service sells consumer names, that consumers be so notified and be allowed the opportunity to say no. And that both public and private sector be required to offer that.

Mr. GILMAN. To your knowledge, is the post office selling any lists?

Ms. BYRNE. Yes. In the instances of change of address requests.

Mr. GILMAN. Besides change of address requests?

Ms. BYRNE. Beyond that, I'm not aware of any other selling.

Mr. GILMAN. You had stated that the State of New Jersey could use a liaison in the chief inspector's office to help process complaints. Can you share with us the procedure that you presently use when bringing these matters to the attention of Postal Inspection Service?

Ms. BYRNE. That we have a postal—regional postal inspector that we deal with and my sense is that there needs to be some central repository, that if we had an established liaison, particularly for foreign lottery mail, and that was the context within which I had made that recommendation.

Mr. GILMAN. And what's been the response?

Ms. BYRNE. But for—I'm sorry.

Mr. GILMAN. What has been the response to that request?

Ms. BYRNE. I'm making this request to this committee today.

Mr. GILMAN. Oh, you hadn't made it previously?

Ms. BYRNE. Formally, no, not prior to this.

Mr. GILMAN. What you're essentially saying is a postal inspector assigns someone to this kind of fraud.

Ms. BYRNE. Yes. To be the central repository for this type of activity nationally.

Mr. GILMAN. Is there that much activity that would require a full-time person to address these problems?

Ms. BYRNE. This is the mail for one gentleman for the month of January alone. I think it's an enormous problem.

Mr. GILMAN. Is that box filled with just foreign mail?

Ms. BYRNE. No. That box is filled with everything. It is 22 pounds of all types of sweepstakes offers. I think the box contains 11 different foreign lottery appeals. A dozen. I'm sorry. Foreign lottery mail-ins in this 22 pounds.

Mr. GILMAN. Based upon the experience of your office and the knowledge you have, could you prepare for our committee a breakdown of the various kinds of solicitation?

Ms. BYRNE. Oh, absolutely. We've done that with this package here and we'd be happy to send you that profile.

Mr. GILMAN. I'd appreciate receiving that. With your permission, Madam Chair, I'd like to make it part of the record.

Miss COLLINS. Yes.

Mr. GILMAN. Thank you. Thank you, Madam Chair.

Miss COLLINS. Thank you very much.

[The information referred to follows:]



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
OFFICE OF THE DIRECTOR

ROBERT J. DEL TUFO
ATTORNEY GENERAL

EMMA N. BYRNE
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JUN 21 1993

Hon. Barbara-Rose Collins

June 15, 1993

Representative Barbara-Rose Collins, Chairperson
Postal Operations and Services Subcommittee
406 Cannon House Office Building
Washington, DC 20515-6246

Dear Representative Collins:

I again would like to thank you for inviting me to speak before your committee on May 19. Since that time, the Division has continued to gather information on illegal direct mail solicitations.

Attached is a list of foreign lottery companies that have been soliciting money from New Jersey residents. I have forwarded this list to the Inspector General of the Post Office.

I also have attached a catalogue of the 426 letters that David Gerity of Woodbridge, New Jersey received in a one month period. As I mentioned before your committee, he eventually spent over \$20,000 on these offers. I will send you additional information on our investigations as they progress.

Again, thank you for your interest in this matter.

Sincerely,

Emma N. Byrne
Director

ENB/cc

Enclosures

Given to Kathy 6/21

New Jersey Is An Equal Opportunity Employer

Foreign Lottery Companies Soliciting in the U.S:

1. Winning Advantage, Queensland, Australia
2. Winning Advantage Australia, Richmond, B.C. Canada
3. Winner's Marketing Inc. Vancouver, B.C. Canada
4. Winner's Circle International, Vancouver, B.C. Canada
5. Project Rainbow, Vancouver B.C. Canada
6. Australian Lottery Billionaires Club, Vancouver, B.C. Canada
7. New Eagle/Gail Howard, Vancouver, B.C. Canada
8. Canadian International Lottery Agency, Vancouver B.C. Canada
9. Intercontinental Millionaires Club, Burnaby, B.C. Canada
10. Australian International Lottery Federation, Fortitude Valley,
Australia



State of New Jersey

DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF CONSUMER AFFAIRS
OFFICE OF THE DIRECTOR

Hon. Barbara Rose Collins

JUN 21 1993

ROBERT J. DEL TUFO
ATTORNEY GENERAL

LOCATION

124 HALSEY STREET, 7TH FLOOR
NEWARK, NJ 07102
(201) 504-6534

EMMA N. BYRNE
DIRECTOR

MAILING ADDRESS

P. O. BOX 45627
NEWARK, NJ 07101

June 9, 1993

Chief Postal Inspector
Kenneth J. Hunter
475 L'Enfant Plaza, SW
Washington, D.C. 20260-2100

Dear Mr. Hunter,

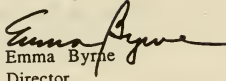
I recently testified before the Postal Operations and Services Subcommittee of the House of Representatives concerning a number of seniors in New Jersey who have lost large sums of money entering contests, sweepstakes, and foreign lotteries. Attached are examples of 10 mailings encouraging New Jersey residents to purchase foreign lottery tickets. They were mailed by:

1. Winning Advantage, Queensland, Australia
2. Winning Advantage Australia, Richmond, B.C. Canada
3. Winner's Marketing Inc. Vancouver, B.C. Canada
4. Winner's Circle International, Vancouver, B.C. Canada
5. Project Rainbow, Vancouver B.C. Canada
6. Australian Lottery Billionaires Club, Vancouver, B.C. Canada
7. New Eagle/Gail Howard, Vancouver, B.C. Canada
8. Canadian International Lottery Agency, Vancouver B.C. Canada
9. Intercontinental Millionaires Club, Burnaby, B.C. Canada
10. Australian International Lottery Federation, Fortitude Valley, Australia

New Jersey Is An Equal Opportunity Employer

I appreciate any efforts you can make to assist us in stopping these solicitations. Thank you for your cooperation.

Sincerely,



Emma Byrne

Director

New Jersey Division of Consumer Affairs

Enclosures

cc: Congresswoman Barbara-Rose Collins ✓

Company	Location	# of Letters	Amount requested for
Australian International Lottery Fed.	Australia		
ALWS	Australia, Fortitude Valley	1	\$29.95-\$80.95 for lottery tickets
ALWS	Australia, Queensland	1	\$29.95 for lottery tickets
Winning Advantage Australia	Australia, Queensland	1	\$29.95 lottery tickets
Prize Centre	Australia, Queensland	1	\$29.95 lottery tickets
Prize Centre	Australia, Queensland	1	\$25 registration fee
	Australia, Queensland	1	\$3.00 judging fee
	Canada		
Intercontinental Billionaires Club	BC, Burnaby	1	\$24-\$58 for winning ideas
Winning Advantage Australia	BC, Delta	2	\$49.95-\$129.95 lottery tickets
Winning Advantage Australia	BC, Richmond	1	\$29.95 for lottery tickets
The Lottery Connection	BC, Vancouver	1	\$29.95- Lottery tickets
Australian Lottery Billionaires Club	BC, Vancouver	1	\$10- \$100 lottery tickets
The Lottery Connection	BC, Vancouver	1	\$29.95 lottery tickets
Winners Circle International	BC, Vancouver	4	\$9.95-\$49.95 for tickets
Australian Lottery Billionaires Club	BC, Vancouver	2	\$25-\$100 for lottery tickets
CAN WIN	BC, Vancouver	1	\$15- \$130 lottery tickets
Robert T. Riley	BC, Vancouver	3	\$29.95 for lottery tickets
Project Rainbow	BC, Vancouver	2	\$29.95 lottery tickets
Winners Circle International	BC, Vancouver	3	\$20-50 for lotto
Winners Circle International	BC, Vancouver	3	\$9.95-49.95 for lottery tickets
Winners Marketing	BC, Vancouver	1	\$29.95 for lottery tickets
CAN-WIN	BC, Vancouver	1	\$8.75-130 for lottery tickets
New Eagle	BC, Vancouver	1	\$69.00-\$399.00 for lottery tickets
Winning Advantage Australia	BC, Vancouver	1	\$29.95 for lottery tickets
Astrology Center	BC, Vancouver	1	\$2.00 processing fee
The Lottery Connection	BC, Vancouver	1	\$29.95 lottery tickets
The Lottery Connection	BC, Vancouver	2	\$29.95 lottery tickets
Australian Wing Advantage	BC, Vancouver	2	\$29.95 lottery tickets
Robert T. Riley	BC, Vancouver	3	\$29.95 lottery tickets
Canadian Winners Authority	BC, Vancouver	1	\$19.95 registration
Winning Advantage Australia	BC, Vancouver	1	\$29.95-\$1.00 for tickets
Project rainbow	BC, Vancouver	1	\$5-50 processing
Canadian International Lotto	BC, Vancouver	1	\$29.95 lottery tickets
Winners Marketing	BC,Vancouver	3	\$29.95 for lottery tickets

Sweepstakes -By State

Winning Advantage , Australia	British Columbia, Delta	1	\$29.95 for lottery tickets
Fortunes Unlimited	British Columbia, Delta	1	\$9.95-\$81.00 for lottery tickets
Winning Advantage Australia	British Columbia, Delta	1	\$29.95 for lottery tickets
Fortunes Unlimited	British Columbia, Delta	1	\$9.95-\$81.00 for lottery ticket packages
Winning Advantage Australia	British Columbia, Delta	1	\$29.95 for lottery tickets
Winning Advantage Australia	British Columbia, Richmond	1	\$29.95 for lottery tickets
Project Rainbow	British Columbia, Vancouver	3	\$20-\$50 for lottery tickets
Winner's Marketing Inc.	British Columbia, Vancouver	3	\$29.95 for lottery tickets
Winner's Circle	British Columbia, Vancouver	2	\$29.95 for lottery tickets
Customer Services	British Columbia, Vancouver	2	\$89-\$399for lottery tickets
Can-Win	British Columbia, Vancouver	1	\$29.95 for lottery tickets
The Lottery Connection	British Columbia, Vancouver	1	\$59-\$399 for lottery tickets
Winners Circle International	British Columbia, Vancouver	1	\$29.95 for lottery tickets
Can-Win	British Columbia, Vancouver	2	\$8.25-\$130 lottery ticket packages
Winners Marketing	British Columbia, Vancouver	2	\$29.95 for lottery tickets
Survey Headquarters	British Columbia, Vancouver	2	\$10 for lucky numbers
Australian Lottery Billionaires Club	British Columbia, Vancouver	2	\$10-\$100 in lottery tickets
Can Win	British Columbia, Vancouver	1	\$47.00 lottery tickets
#170	British Columbia, Vancouver	1	\$15 for signature processing
Australian Billionaires Club	British Columbia, Vancouver	1	\$10-\$100 for lottery tickets
	Colorado		
Bloenergy Nutrients Inc.	CO, Boulder	1	purchase pills
Consumer Reports	CO, Boulder	1	\$22 for a subscription
Life Study Fellowship	CO, Boulder	1	\$2. \$10 prayer donation
	Connecticut		
Jean Mars	CT, Noroton	1	\$19.95 for fortune telling
Miriam Delacroix	CT, Old Saybrook	1	\$19.90 for processing
Premium Appliance Warehouse	CT, Stamford	1	\$16.87 for merchandise
Sweepstakes Headquarters	CT, Wallingford	1	cost of merchandise
Center for Advanced Heart Research	CT, Wallingford	1	\$7. \$25 donation/ cash drawing
	Washington D.C.		
Office of Lottery Intelligence	DC, Washington	1	\$15 membership fee
Jenacol	DC, Washington	1	\$29.95 for Gin-ling
Australian World Lotto Syndacate	DC, Washington	1	\$35-\$350 for lottery tickets
	Florida		
AWLS	FL, Dania	1	\$35-\$350 lottery tickets
AWLS	FL, Miami Beach	1	\$35-\$350 for lottery tickets

Sweepstakes -By State

AWLS	FL, Miami Beach	1	\$30-360 lotto #'s
Vitek Nutritionals Inc.	FL, Miami Beach	1	\$23.95-\$34.95 for vitality pills
North Shore Animal League	FL, Miami Beach	1	\$1-25 membership fees
Consumers Digest	FL, Sunrise	1	Free issue sweepstakes
	Indiana		
Easter Seals	IA, Des Moines	1	\$5 for 8 raffle tickets
National Shrine of St. Jude	IA, Harden	1	Ask for donation
	Illinois		
Carner Fund of America	IL, Chicago	1	Ask for donation- register for sweepstakes
Financial Research Group	IL, Chicago	1	\$20 membership
	Kansas		
Global Life Network	KS, Topeka	3	\$20 book
	Maryland		
Sweepstakes Entry Commission	MD, Reisterstown	2	\$10-30 membership
Sweepstakes Entry Commission	MD, Reisterstown	2	\$10-28 registration fees
Financial Research Group	MD, Reisterstown	1	\$10-\$20 group eligibility fee
H. Jaler	MD, Reisterstown	1	\$20 for satrollogical subscription
Sweepstakes Entry Commission	MD, Reisterstown	2	\$15-30 membership
Father Al Schwartz	MD, Reisterstown	1	Ask for donation
Fingerhut	MD, Reisterstown	1	order merchandise, purchase not necessary
Sweepstakes Selection Center	MD, Riverdale	1	merchandise
	Minnesota		
Opportunities Unlimited Publications	MN, St. Cloud	1	\$2-20 entry fee
Midwest Warehouse Outlet	MN, St. Cloud	1	\$13.77 for merchandise
	Missouri		
Opportunities Unlimited Publications	MO, Kansas	2	\$2-\$18 to claim a prize
Entertainment Awards Center	MO, Kansas City	1	\$1-\$15 entry fee
Opportunities Unlimited Publications	MO, Kansas City	1	\$1-\$35 eligibility fees
Opportunities Unlimited	MO, Kansas City	1	\$1-\$35 entry fee
The Money Machine	MO, Kansas City	1	\$5-\$20 entry fee
Opportunities Unlimited Publications	MO, Kansas City	1	\$5-\$35 entry fee
Opportunities Unlimited Publications, Inc.	MO, Kansas City	1	\$3-\$15 entry fee
Opportunities Unlimited Publications	MO, Kansas City	6	\$5-\$5 entry fees
Opportunities Unlimited	MO, Kansas City	2	\$1-\$5 entry fee
Opportunities Unlimited Publications	MO, Kansas City	4	\$1-\$5 entry fee
Contest America Publishers	MO, Kansas City	4	\$1-\$15 contest entry fee
Contest America Publishers	MO, Kansas City	1	\$1-\$25 entry fee

Sweepstakes -By State

Contest America Publishers	MO, North Kansas City	3	\$1-\$25 eligibility fee
Contest and America Publishers	MO, North Kansas City	1	\$1 - \$15 eligibility fee
Opportunities Unlimited Publications	MO, North Kansas City	7	\$1- \$35 entry fee
Contest America	MO, North Kansas City	1	\$1- \$25 entry fees
Contest and America Publishers	MO, North Kansas City	1	\$1-25 entry fee
Opportunities Unlimited Publications	MO, North Kansas City	1	\$2-30 entry fee
Opportunities Unlimited Publications	MO, North Kansas City	2	\$1-\$5 registration
Opportunities Unlimited Publications	MO, North Kansas City	3	\$1-\$5 registration
Opportunities Unlimited Publications	MO, North Kansas City	2	\$5-\$20 registration fee
Contest and America Publishers	MO, North Kansas City	2	\$5-\$25 judging fee
Opportunities Unlimited Publication	MO, North Kansas City	4	\$1-\$5 registration
ST. Labre Indian School	MO, North Kansas City		Ask for donation
Winner's Network	MO, North Kansas City	1	.40-\$1.50 a week
Montana			
Boardroom Classics	MT, Ashland	1	\$29.97 for a book
New Jersey			
Cash and Merchandise Claim Dept.	NJ, East Hanover	1	\$5-\$25 for crossword
Cash Express	NJ, Springfield	3	\$5-\$30 for crossword
Nevada			
Mega Bucks	NV, Las Vegas	3	\$5-\$25 for crossword
Mega Bucks	NV, Las Vegas	5	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	6	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	7	\$5-\$30 for crossword
Cash and Merchandise Claim Dept	NV, Las Vegas	1	\$5-\$30 for crossword
Contests Winners Circle	NV, Las Vegas	1	tie breaker contest fee of \$1.00
Mega Bucks	NV, Las Vegas	3	\$5-\$25 for crossword
Cash and merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept	NV, Las Vegas	2	\$5-\$30 for crossword
Mega Bucks	NV, Las Vegas	2	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$15-\$20 judging fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$15 Judging fee

Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$15 Judging Fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	6	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	11	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	5	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$7 entry fee
Prize Payout Office	NV, Las Vegas	1	\$7.97 entry fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-\$30 entry fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-\$25 entry fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	5	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	6	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$30for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$15 judging fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	10	\$5-\$30 for crossword
Mega Bucks	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	6	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$15 judging fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	5	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-\$30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$15 judging fee

Sweepstakes -By State

Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-30 sweepstakes
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-30 sweepstakes
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-30 for crossword
Prize Payout Office	NV, Las Vegas	4	\$6.97 processing fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	6	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	4	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	7	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	2	\$5-25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$15 registration
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5 accounting fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$5 judging fee
Cash and Merchandise Claim Dept.	NV, Las Vegas	3	\$5-30 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	1	\$52-980 tickets
Cash and Merchandise Claim Dept.	NV, Las Vegas	5	\$5-\$25 for crossword
Cash and Merchandise Claim Dept.	NV, Las Vegas	5	\$5-\$25 for crossword
Mega Bucks	NV, Las Vegas	1	\$11.97 for necklace
Howard R. Mathews	NV, Las Vegas	1	\$11.97 for necklace
Howard R. Mathews	New York		
CVP Sweepstakes Department	NY, Bohemia	1	order items from catalog/register for contest
Comptrollers Dept.	NY, Bohemia	1	cost of perfume
Franciscan Missionary Union	NY, Hicksville	1	\$25- \$100 for meal
Franciscan Missionary Union	NY, Hicksville	1	Ask for donation
Hallbrook Productions	NY, New York	1	\$4.95-\$6.95 for perfume
Sweepstakes Direct	NY, New York	1	\$7.19 processing fee
Readers Digest	NY, Niagara Falls	1	price of videotapes
Sweepstakes Direct	NY, Ramona	1	\$7-\$19 entry fee
Irish Marketing Board	NY, Pleasantville	1	\$21.95 lottery tickets
Book of the Month Club	NY, Pomona	1	Book Offer
Missionary Servants from Philly	NY, Ronkonkoma	1	Ask for donation
	Pennsylvania		
Selection Committe	PA, Camp Hill	1	\$2-\$14 for lucky numbers
Cancer Fund of America	PA, Philadelphia	1	\$10-\$20 donation for sweepstakes
	Panama		

PRINT NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

IMPORTANT

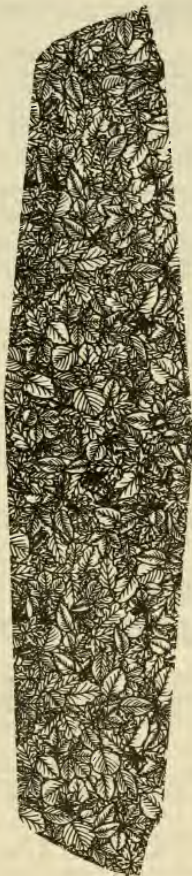
PLEASE USE
40c POSTAGE
FOR MAIL TO
CANADA

Par Avion

NO. 191, 5010 - 48th. AVENUE
DELTA, BRITISH COLUMBIA
CANADA V4K 3N6

Win a 28" Color TV
SEE SPECIAL DETAILS ON OTHER SIDE.

FIRST CLASS MAIL



Make payment payable to: FORTUNE\$

WIN THIS FREE 28" COLOR TV FROM SONY!



HERE'S HOW YOU CAN WIN:

Our Main-Frame Computer has randomly selected three numbers between 1 and 9. Print which numbers you think they are in the three boxes below. If you are the first person to guess which three numbers they are in the correct sequential order, you win the 28" Sony Remote Color TV or \$1,000.00 cash. Good Luck and enter now!

Print your three numbers between 1-9 in the boxes below

--	--	--

If you'd prefer, call TOLL-FREE 1-800-255-5225 and give your three numbers to one of our operators over the phone.

**HERE'S A DESCRIPTION OF THE
LOTTERY TICKETS THAT CAN MAKE YOU RICH!**

• **Australian Lotto
6/48 Tickets:**

This is an incredible new game that gives you a special "bonus" chance of winning on every ticket. Each ticket is worth 1 MILLION DOLLARS and you choose 6 numbers per ticket. But what makes this such a "winnable" game is that the Australian Government draws 6 numbers plus two bonus numbers. Plus...there are cash payouts even if you hit as few as 3 numbers... so you have a spectacular chance of winning money even if you don't hit the jackpot!

• **Canadian Provincial
Tickets:**

Here's a game that you'll probably never see in U.S. Lotteries. The Grand Prize per ticket is \$1 MILLION DOLLARS and every ticket has its own exclusive 7-digit number. If your number is drawn, you win. But what makes this game so special is that each ticket is valid for 4 CONSECUTIVE WEEKS. That means you have 4 chances to win. And again - there are cash payouts for matching less than 7 digits. Plus...each Provincial Ticket has 2 scratch-off portions so you can win an extra \$30,000.00 per ticket!

• **Australian
Scratch 'N Win Tickets:**

These tickets are great fun but what makes them even more exciting is that you can win \$25,000.00 instantly on every ticket.

What will you do when you win the International Lottery? That's up to you, of course, but one thing's for sure...you'll have all the money in the world to live the life of leisure! You'll be able to travel when you want, vacation when you want, live in the finest homes, drive the fanciest cars...you'll be able to afford anything your heart desires. You can live as a "free spirit", sailing your boat, jetting to Hawaii, loafing on the beach. There'll be no more time clocks to punch, no more bosses to put up with, no more worrying about making ends meet.

When you become a MEGA-RICH INTERNATIONAL LOTTERY WINNER, you'll get all your money immediately. MILLIONS OF DOLLARS...IMMEDIATELY...WITH NO WAITING. No deferred payments and no partial payments stretched over 20 long years!

**HOW WOULD YOU LIKE TO BECOME A \$10 MILLION DOLLAR
INSTANT LOTTERY WINNER?**

**MAKE IT ALL HAPPEN TODAY BY REGISTERING AS A CHARTER MEMBER OF THE
MEGA-MILLIONAIRE'S "GOLD CLUB" OR "SILVER CLUB"!**

You now have your choice of registering as a "Gold Club" or "Silver Club" Member - and in so doing - taking advantage of a limited opportunity to enter the Canadian Lottery and win up to \$10 MILLION DOLLARS or more! This offer is not available to the U.S. General Public at large. It is for select friends of WINNING ADVANTAGE only and you are now being officially notified of your eligibility.

To accept, simply peel off the stamp of your choice on the other side of this letter (either "Gold Club" or "Silver Club") and affix it to the appropriate place on your Registration Form. Then follow the instructions and mail your Registration Form along with your payment in the courtesy reply envelope provided. OR FOR FASTEST SERVICE, **CALL TOLL-FREE 1-800-828-8288 Ext. 18**. Our operators are standing by!

Either way, you'll be making a wise decision by JOINING NOW, while WINNING ADVANTAGE is making this special offer. Just think, within weeks you could be a MULTI-MILLIONAIRE, a prize winner of Lump-Sum cash. Isn't that the kind of instant payout you'd like to receive? Then go for it today!

Sincerely,

Allan Hinton

Allan Hinton, President
WINNING ADVANTAGE AUSTRALIA

P.S. Look for your special INSTANT SCRATCH-OFF Ticket found inside this envelope. It could be worth \$50,000.00 to you...so make sure you play!!

CONFIDENTIAL INTERNATIONAL LOTTERY REGISTRATION LETTER

No. 990, 5010 - 48th. Avenue, Delta, B.C. Canada V4K 4V6

OFFICIAL NOTICE OF PLAYER SELECTION AND ELIGIBILITYDAY: **Tuesday, 10:30 a.m.**AUTHORIZED BY: **Allan Hinton
President****ATTENTION**

This document is delivered under the auspices and with full authorization of
 Winning Advantage in strict accordance with international law and is intended solely
 for private use of individual named on Official Registration Form as citizen of

*the United States of America***YOU ARE NOW ELIGIBLE TO WIN UP TO****\$10 MILLION DOLLARS****OR MORE AND THE BEST PART IS...****It's TAX-FREE and Paid In ONE LUMP-SUM**

FOR SELECT U.S. CITIZENS ONLY
 Not Available to the U.S. General Public at large

URGENT:

Your name has been selected and you are now eligible to enter the International Lottery where you can win up to \$10 Million Dollars or more, with all cash guaranteed by the Government and paid to you in LUMP-SUM, TAX-FREE money.

Already U.S. Citizens who have entered have won nearly two million cash prizes with new Millionaires being created virtually every week.

And just think...when you win in the International Lottery, you will receive a Certified Check from the Government for your TOTAL WINNINGS. Whether it's \$5 Million, \$10 Million, \$12 Million or whatever...you will receive all your money at once. There are no extended or deferred payments like in U.S. lotteries. So - when you "hit" for a Million Dollars or more, you truly become an instant "Millionaire" and that means no more 9-5 job, no more rat race and no more living from month to month. **YOU'RE A MILLIONAIRE!!**

WHY HAVE YOU RECEIVED THIS OFFICIAL LETTER?

You're probably wondering why you have been mailed this International Letter? It's because your name was on our special list of U.S. Lottery Players marked "PRIORITY"... and that means as an avid lottery player and friend of WINNING ADVANTAGE you are among the first to be notified when new opportunities for winning \$10 Million Dollars or more are made available.

Your exclusive eligibility status allows you to now join WINNING ADVANTAGE as a Charter "Gold Club" or "Silver Club" Member.

Please notice above the two stamps which are marked GOLD CLUB MEMBER and SILVER CLUB MEMBER respectively. These are your personal, non-transferable "eligibility" stamps which allow you to officially join WINNING ADVANTAGE as a "Gold Club" or "Silver Club" Member. With either membership your chances have never been greater for winning MILLIONS OF DOLLARS in lump-sum, tax-free money!

The reason is simple. There are a limited number of Memberships now being offered to friends of WINNING ADVANTAGE and those who take advantage immediately have an incredible opportunity to get **RICH!**

With either a "Gold Club" or "Silver Club" Membership, the assortment of Lottery Tickets which you will receive will automatically put you in a position to become an instant **MULTI-MILLIONAIRE.**

ENTER OUR "LUCKY BIRD" SPECIAL DRAWING AND...

YOU COULD WIN \$500 IN INSTANT SUPER CASH

The next winner could be you...but you've got to enter to win!

To enter, simply complete this card (including your phone number) and mail it back with your "GOLD CLUB" or "SILVER CLUB" Registration Form OR CALL TOLL-FREE 1-800-828-5825 Ext. 18 AND OUR OPERATORS WILL AUTOMATICALLY ENTER YOU OVER THE PHONE!



NAME (print) _____	_____	_____	_____
ADDRESS _____	_____	_____	_____
CITY _____	STATE _____	ZIP _____	
TELEPHONE (_____) _____			
Do you have a credit card (e MasterCard or Visa) <input type="checkbox"/> YES <input type="checkbox"/> NO			

We'll notify you by phone if you win the \$500 "Lucky Bird" Instant Super Cash

F29-6

SILVER STREAK

WIN UP TO \$50,000.00 INSTANTLY

RULES: Scratch off all 3 bars on the other side of this Game Card. If the 3 numbers revealed add up to a total of 7, you're a guaranteed winner!

Fill out your name and address in the box below and send it along with your payment and your "GOLD CLUB" or "SILVER CLUB" Registration Form. OR if you'd like to order TOLL-FREE by phone, scratch off your Validation Number on the other side and read it to our operator over the phone. Please respond immediately because you may be the \$50,000.00 INSTANT CASH WINNER.

FOR FASTEST SERVICE, CALL TOLL-FREE: 1-800-828-5825 Ext. 18 Operators standing by or complete and mail this card with your Registration Form to: Winning Advantage, Box 231, Palm Beach, Queensland 4221, Australia

Name (print) _____

Address _____

City _____ State _____ Zip _____

Phone (_____) _____

WE'LL NOTIFY YOU IMMEDIATELY IF YOU'VE WON THE \$50,000.00 CASH PRIZE!

FORM
018827AA

Millionaire's Release Form

TELEVISION, NEWSPAPER, RADIO RELEASE WIN FORM W-P2
PLEASE COMPLETE AND RETURN THIS WITH YOUR MEGA MILLIONAIRE'S
"GOLD CLUB" OR "SILVER CLUB" REGISTRATION FORM

- YES**, upon my official win notification, you have my permission to announce I have won \$1,000,000.00 or more in any of the following media. TELEVISION- NEWSPAPER-RADIO-COMMERCIAL ADVERTISEMENT. Also, I will allow you to try to arrange lucrative "endorsement income" for me if at all possible (like sports figures or celebrities receive for endorsing products).
- NO**, even if I win \$1,000,000.00 or more, I decline permission to allow my name to be announced in any media. I also do not want any possible "endorsement" income.

PLEASE SIGN YOUR NAME HERE (X) _____ YOUR PHONE NUMBER () _____

©1992 WAA F2860

©1992

MATCH '73
SILVER STREAK

SCRATCH-OFF

Scratch off the 3
silver bars below
if the total adds up to 7...

YOU COULD WIN UP TO \$50,000.00

REVEALING NUMBER



See Details
Other Side...



BECAUSE WHEN YOU REGISTER AS A CHARTER MEMBER OF THE MILLIONAIRE'S "GOLD CLUB" OR "SILVER CLUB"

You'll Be Instantly Ready To Win Up To

\$10 MILLION DOLLARS

OR MORE...AND IT'S ALL TAX-FREE AND PAID IN LUMP-SUM!

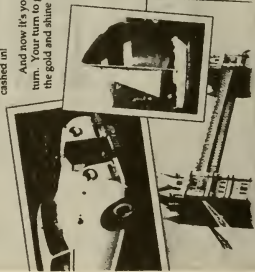
U.S. Citizens Have Already Won Nearly Two Million Cash Prizes... You Could Be The Next Millionaire Winner!

What would you do with \$10 MILLION DOLLARS in cold cash? Ten Million Dollars in lump-sum, tax-free cash? Would you quit your job...would you go on an around-the-world vacation...would you buy that dream house you've always wanted...or that fancy sports car...or that 50-ft. yacht?

Rest assured, when you win \$10 MILLION DOLLARS in the International Lottery, you can do all those things **AND MORE!** Because when you win in the International Lottery, the Government will send you a Certified Check for the whole amount in one huge LUMP-SUM...and you'll get your money immediately!

WINNING ADVANTAGE is proud to announce that you are now eligible to play the Lottery as a Charter Member of the exclusive MILLIONAIRE'S "GOLD CLUB" or "SILVER CLUB". With your membership you'll receive the very same kind of tickets that have already made nearly TWO MILLION of your fellow Americans very, very happy. That's how many winners have already cashed in!

And now it's your turn. Your turn to grab the gold and shine in the



spotlight of overnight wealth. New Millionaires are being created virtually every week. Many of these people had never won a dime in U.S. lotteries but who now know exactly what it's like to HIT IT BIG in the International Lottery.

Don't wait another minute to join. Now's the time to enter while **WINNING ADVANTAGE** is making this special offer to select U.S. Citizens. **AND YOU'RE ONE OF THEM!** It's easy to enter. Simply follow the instructions on your exclusive Registration Form or for fastest service call **TOLL-FREE 1-800-828-5825 Ext. 18**. Our operators are standing by to take your call.

Either way...**DO NOT HESITATE**. This is you once-in-a-lifetime opportunity to become fabulously wealthy...and instant overnight **MULTI-MILLIONAIRE!** Others have already done it. Others have already won and know what it's like to now live in incredible luxury. Make it happen for you! Mail your Registration Form today in the courtesy reply envelope provided...or call **TOLL-FREE** for instant service. But do it NOW!

Because within weeks you could be \$10 MILLION DOLLARS RICHER... or more!

NEW MILLIONAIRES ARE BEING CREATED ALL THE TIME!
Now It's Your Turn To 'HIT IT BIG!'
MAIL YOUR "GOLD CLUB" OR "SILVER CLUB" REGISTRATION FORM TODAY...OR FOR FASTEST SERVICE

CALL TOLL-FREE 1-800-828-5825 Ext. 18
Operators Standing By

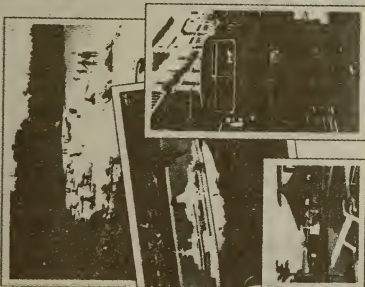
When you become an International Lottery Millionaire, you'll have your choice of cars, boats, vacations, luxury homes... anything and EVERYTHING your dreams!

Instant Scratch-Off tickets are worth \$25,000.00 each.



**WITH CARS...
BOATS...
MANSIONS...
VILLAS...
VACATION
HIDEAWAYS...**

Everything!



**YOU THINK YOU CAN'T
BE A MILLIONAIRE?**

Think Again!



\$3,532,814.50
Alvin Samsbock



\$5,532,028.50
Christy Reynolds from Ohio



\$11,308,114.50
Ms. & Mrs. A. Robinson



\$8,072,861.20
Virginia Roseberry

This Space Reserved
**FOR YOUR
PICTURE!**
As The Next
**INTERNATIONAL
LOTTO
MILLIONAIRE!**

**WE'VE ALREADY RESERVED A SPACE FOR YOUR PHOTO
AS THE NEXT BIG INTERNATIONAL LOTTO MILLIONAIRE!**

Play And Win Today!

ORDER NOW BY MAIL OR FOR FASTEST SERVICE

**CALL TOLL FREE
1-800-828-5825 Ext.18**

SAME-DAY SERVICE ON CREDIT CARD ORDERS.
SO CALL NOW! Operators Standing By To Take Your Call



100% DOUBLE GUARANTEE

1. All cash prizes are guaranteed to be paid out by the Government.
2. All cash prizes are guaranteed to be free of taxes, and if it is not, we will pay the taxes for you. **CASH!** even when you win \$10 MILLION DOLLARS or more.

WINNING ADVANTAGE

Box 231, Palm Beach, Queensland 4221, Australia

©2004 818280VA

**Yes...
This Can
Be You!**

**MULTI-
MILLIONAIRE**



MARK 6 NUMBERS IN EACH OF THE 10 BOARDS BELOW

1	10	20	30	40
1	11	21	31	41
2	12	22	32	42
3	13	23	33	43
4	14	24	34	44
5	15	25	35	45
6	16	26	36	
7	17	27	37	
8	18	28	38	
9	19	29	39	
BOARD 1	BOARD 2	BOARD 3	BOARD 4	BOARD 5

6	10	20	30	40
1	11	21	31	41
2	12	22	32	42
3	13	23	33	43
4	14	24	34	44
5	15	25	35	45
6	16	26	36	
7	17	27	37	
8	18	28	38	
9	19	29	39	
BOARD 6	BOARD 7	BOARD 8	BOARD 9	BOARD 10

Detach and return this Top Half of Order Form if joining as a "Gold Club" Member

MARK 6 NUMBERS IN EACH OF THE 8 BOARDS BELOW

1	10	20	30	40
1	11	21	31	41
2	12	22	32	42
3	13	23	33	43
4	14	24	34	44
5	15	25	35	45
6	16	26	36	
7	17	27	37	
8	18	28	38	
9	19	29	39	
BOARD 1	BOARD 2	BOARD 3	BOARD 4	

5	10	20	30	40
1	11	21	31	41
2	12	22	32	42
3	13	23	33	43
4	14	24	34	44
5	15	25	35	45
6	16	26	36	
7	17	27	37	
8	18	28	38	
9	19	29	39	
BOARD 5	BOARD 6	BOARD 7	BOARD 8	

Detach and return this Bottom Half of Order Form if joining as a "Silver Club" Member

Here Are Your Australian LOTTO 6/45 GAME BOARDS
If You Are Registering As A Charter Member Of TheMILLIONAIRE'S
"GOLD" CLUBEvery Game Board
Is Worth An Incredible
**ONE MILLION
DOLLARS!**

TAX-FREE...LUMP-SUM

Here's how to pick your
Lotto 6/45 Numbers...

1. THERE ARE 10 PLAYING "BOARDS" NUMBERED 1 TO 10 ON THIS "GOLD CLUB" ENTRY FORM.
2. ON EACH BOARD CHOOSE 6 NUMBERS FROM 1 TO 45 BY PLACING A VERTICAL PEN STROKE IN THE APPROPRIATE BOX AS SHOWN.
3. RETURN THIS COMPLETED ENTRY FORM ALONG WITH YOUR \$49.95 PAYMENT IN THE COURTESY RETURN ENVELOPE PROVIDED.

OR FOR FAST SAME-DAY SERVICE ON CREDIT CARD ORDERS,
CALL TOLL-FREE: 1-800-828-5825 Ext. 18 Check Box Here If You Would Prefer Your
Numbers To Be Computer-Selected For You.

NOTICE: We reserve the right to make corrections and/or changes to all boards which are improperly or incorrectly filled out. In the event we do not receive complete and correct Lotto 6/45 selections from you, the computer will select numbers for you. In the event of a discrepancy the numbers we select for you shall be considered final.

Here Are Your Australian LOTTO 6/45 GAME BOARDS
If You Are Registering As A Charter Member Of TheMILLIONAIRE'S
"SILVER" CLUBEvery Game Board
Is Worth An Incredible
**ONE MILLION
DOLLARS!**

TAX-FREE...LUMP-SUM

Here's how to pick your
Lotto 6/45 Numbers...

1. THERE ARE 8 "PLAYING BOARDS" NUMBERED 1 TO 8 ON THIS "SILVER CLUB" ENTRY FORM.
2. ON EACH BOARD CHOOSE 6 NUMBERS FROM 1 TO 45 BY PLACING A VERTICAL PEN STROKE IN THE APPROPRIATE BOX AS SHOWN.
3. RETURN THIS COMPLETED ENTRY FORM ALONG WITH YOUR \$29.95 PAYMENT IN THE COURTESY RETURN ENVELOPE PROVIDED.

OR FOR FAST SAME-DAY SERVICE ON CREDIT CARD ORDERS,
CALL TOLL-FREE: 1-800-828-5825 Ext. 18 Check Box Here If You Would Prefer Your
Numbers To Be Computer-Selected For You.

NOTICE: We reserve the right to make corrections and/or changes to all boards which are improperly or incorrectly filled out. In the event we do not receive complete and correct Lotto 6/45 selections from you, the computer will select numbers for you. In the event of a discrepancy the numbers we select for you shall be considered final.

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Canada V5W 3Z2



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Vancouver, B.C.

FIRST CLASS MAIL



Australian Lottery Confirmation Certificate

Winning Advantage Australia

No. 94632, 6871 No. 3 Road, Richmond, B.C. Canada V6Y 3X3

ACCOUNT NUMBER
V37024245

DATE
Jan 14/93

PAGE
1 of 1

1T

David Gerity
160 Bergen St
Woodbridge NJ 07095-1803

YC01

OFFICIALLY ENTERED INTO ALL LOTTO 6/45 DRAWS

FROM: Jan 23/93 TO: May 05/93

CONGRATULATIONS and welcome to Winning Advantage Group Play Plan. You are now a part of an odds-beating group of 250 Lotto 6/45 Players. Your group has thousands of chances at winning your share of more than 300 MILLION DOLLARS! You have actually improved your odds of winning Australia's celebrated Lotto 6/45 by 250 TIMES!

The 84 sets of mathematically selected numbers for your group are listed below. These numbers are entered for the next 30 Lotto 6/45 prize draws. Our computer system will track every winning number drawn and all winnings will be automatically credited to you. Then, every 10 draws you can watch your mailbox for the most exciting part of all... the official list of winning numbers and a statement of your winnings!

8 23 25 33 34 35	8 23 25 34 38 45	8 23 33 35 42 45	8 25 33 35 38 45	23 25 33 34 35 38	23 25 35 38 42 45
8 23 25 33 34 38	8 23 25 34 42 45	8 23 33 38 42 45	8 25 33 35 42 45	23 25 33 34 35 42	23 33 34 35 38 42
8 23 25 33 34 42	8 23 25 35 38 42	8 23 34 35 38 42	8 25 33 38 42 45	23 25 33 34 35 45	23 33 34 35 38 45
8 23 25 33 34 45	8 23 25 35 38 45	8 23 34 35 38 45	8 25 34 35 38 42	23 25 33 34 38 42	23 33 34 35 42 45
8 23 25 33 35 38	8 23 25 35 42 45	8 23 34 35 42 45	8 25 34 35 38 45	23 25 33 34 38 45	23 33 34 38 42 45
8 23 25 33 35 42	8 23 25 38 42 45	8 23 34 38 42 45	8 25 34 35 42 45	23 25 33 34 42 45	23 33 35 38 42 45
8 23 25 33 35 45	8 23 25 38 45 38	8 23 35 38 42 45	8 25 34 38 42 45	23 25 33 35 38 42	23 34 35 38 42 45
8 23 25 33 38 42	8 23 33 34 35 42	8 25 33 34 35 38	8 25 35 38 42 45	23 25 33 35 38 45	25 33 34 35 38 42
8 23 25 33 38 45	8 23 33 34 35 45	8 25 33 34 35 42	8 33 34 35 38 42	23 25 33 35 42 45	23 34 35 38 42 45
8 23 25 33 42 45	8 23 33 34 38 42	8 25 33 34 35 45	8 33 34 35 38 45	23 25 33 38 42 45	25 33 34 35 42 45
8 23 25 34 35 38	8 23 33 34 38 45	8 25 33 34 38 42	8 33 34 35 42 45	23 25 34 35 38 42	25 33 34 38 42 45
8 23 25 34 35 42	8 23 33 34 42 45	8 25 33 34 38 45	8 33 34 38 42 45	23 25 34 35 38 45	25 33 35 38 42 45
8 23 25 34 35 45	8 23 33 35 38 42	8 25 33 34 42 45	8 33 35 38 42 45	23 25 34 35 42 45	25 34 35 38 42 45
8 23 25 34 38 42	8 23 33 35 38 45	8 25 33 35 38 42	8 34 35 38 42 45	23 25 34 38 42 45	33 34 35 38 42 45

REFERENCE

DESCRIPTION

PRIZE

CHARGE

AMOUNT

1000274043

1 LOTTO 6/45 GROUP PLAY PLAN NO: 100395
Enclosed is your FREE prize - 1 Free Strike it Rich
Your FREE personal 6/45 Ticket numbers for 01/23/93 are:
4 22 24 29 32 42

29.95

(Page 1 of 1)

PREVIOUS BALANCE	CASH FOR PRIZES	PAYMENTS ON ACCT	REFUNDS	PURCHASES	CHARGES	NEW BALANCE
-29.95	+	29.95	+	29.95	-	You owe us = -29.95

To be eligible, mail this certificate with your paid lottery order before: **February 8, 1993**

Register to: V37024245 YC01

David Gerity
160 Bergen St
Woodbridge NJ 07095-1803

FREE LOTTO ENTRY
\$10,000,000.00

Total potential prize sum of

TEN MILLION DOLLARS

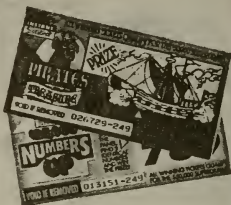
This FREE LOTTO ENTRY for a \$10,000,000.00 Jackpot is reserved especially for you!
Detach and return this certificate with a Winning Advantage order and payment
and YOU are automatically in the draw.

THIS IS YOUR OFFICIAL AUSTRALIAN LOTTERY CERTIFICATE

Keep this handy Instruction Sheet.

INSTANT *Scratch*

With an eraser or coin, rub off the "Scratch 'n' Win" patches. You will uncover 6 prize amounts. If the same amount appears three times on the same ticket, YOU WIN that amount. For example - if \$10 appears three times on the same ticket you win \$10. These cash prizes (from \$2 up to \$25,000) are all Instant Win Prizes and can be claimed immediately. Remember, as these are instant games, no winners' lists are necessary.



SHARE the WEALTH

LOTTERY GROUP PLAY PLAN

You are made part of an odds-beating group of 250 Lotto 6/45 players. Each group will have 84 sets of 6 numbers - all mathematically selected by our computer. Then we enter those numbers for the next 30 Lotto 6/45 prize draws. Each group will have 2,520 chances at winning a share of more than 300 MILLION DOLLARS. As soon as we receive your entry, we'll send you a complete list of your groups' numbers. Then every 10 draws (5 weeks) you will automatically receive an Official Winning Numbers List and a statement of your winnings to date. Once all 30 draws have taken place you will receive a Final Notice and a statement of your total winnings.

Lotto 6/45

Lotto 6/45 prize numbers are drawn twice a week on Australian Television. Each prize drawing is made up of a combination of 6 WINNING NUMBERS and 2 BONUS NUMBERS. If any 3 numbers plus either of the bonus numbers match on ONE BOARD you win \$10.00. If 4 numbers on ONE BOARD match, you win a bigger cash prize. And so on up to 6 numbers. If all 6 numbers on ONE BOARD match all 6 WINNING NUMBERS, YOU WIN THE JACKPOT! You can also win a big cash Bonus Prize if on ONE BOARD, you match 5 out of 6 drawn Winning Numbers and either of the 2 Bonus Numbers drawn.



Triple Stakes Jackpot

Your entered in to 3 of the World's biggest lotteries.. Australian Lotto 6/45, New York's Lotto 6/54, and Canada's Lotto 6/49. You get a whopping 2,520 chances to win over a 20 week play period. Your teamed up with 249 other Americans, and your group will be given 42 sets of numbers per draw. That's 252 chances per week and an incredible 2,520 chances. As soon as your play period ends, we'll send you a complete list of all the winning numbers drawn and a statement of your total winnings.

Winners 200 Club

When you play the Budget, Regular, or Deluxe Plan, you pool your luck and your chances of winning with 199 other players. We play your numbers for you automatically. All you have to do is sit back and let us enter thousands of combinations for you. Every 5 weeks we automatically send you an official list of winning numbers. Then, once all 30 draws are complete, we will send you another winning numbers list along with a statement showing your total winnings. We personally guarantee that your club wins a minimum of \$3,000.00 for the Budget Plan or \$4,500.00 for the Regular Plan or \$6,000.00 for the Deluxe Plan. All lump-sum, tax-free to spend any way you wish!

"Nothing gives our company more pleasure than making Americans wealthy playing Lotto 6/45 and the Australian Lotteries."

Allan Hinton, President.

Because Australian lottery winnings are TAX-FREE when you win the Jackpot, and you get to take it all home in one LUMP-SUM.

Not like winning a U.S. lottery where you can lose your prize money to taxes! What will you do with your share?

Cars, houses, vacations, clothes...imagine all the possibilities.



WINNING ADVANTAGE AUSTRALIAN ENTRY FORM

SHARE the WEALTH

LOTTERY GROUP PLAY PLAN

YES, I want to be a part of a winning group of Lotto 6/45 players who could share up to \$300 MILLION.

- 1 Group Entry for \$29.95 U.S. - 2,520 chances
- 2 Group Entries for \$55.00 U.S. - 5,040 chances **(SAVE \$4.90)**
- 3 Group Entries for \$81.00 U.S. - 7,560 chances **(SAVE \$8.85)**

You will receive the official Winning Numbers lists every 5 weeks. **ENTER TODAY** for your chance to WIN MILLIONS!

EVERY PRIZE IS PAID OUT IN LUMP-SUM, TAX-FREE CASH!

Lotto 6/45

YES, I want to hit the JACKPOT!

- 1 Board for 14 Draws (14 weeks) for \$19.95 U.S. **(PLUS 2 extra draws FREE!)**
- 1 Board for 25 Draws (25 weeks) for \$37.00 U.S. **(PLUS 5 extra draws FREE!)**
- 1 Board for 50 Draws (50 weeks) for \$72.00 U.S. **(PLUS 10 extra draws FREE!)**

Fill in the boxes below with your 6 lucky numbers from 1-45:

or, leave it blank and our computer will pick numbers for you. **Match the winning numbers...and YOU'RE A WINNER!**

EVERY PRIZE IS PAID OUT IN LUMP-SUM, TAX-FREE CASH!

INSTANT Scratch

YES, I want to Scratch and Win INSTANTLY!

- 10 tickets for \$15.00 U.S.
- 20 tickets for \$29.00 U.S. - **SAVE \$1.00**
- 50 tickets for \$70.00 U.S. - **SAVE \$5.00**

It's so easy to play, and you know instantly how much you've won!

EVERY PRIZE IS PAID OUT IN LUMP-SUM, TAX-FREE CASH!

TRIPLE STAKES JACKPOT

YES, I want to be a part of a winning group of International Lotto players who could share up to \$300 MILLION.

- 1 Group Entry for \$29.95 U.S. - 2,520 chances
- 2 Group Entries for \$55.00 U.S. - 5,040 chances **(SAVE \$4.70)**
- 3 Group Entries for \$81.00 U.S. - 7,560 chances **(SAVE \$8.55)**

You will receive the official Winning Numbers lists every 5 weeks. **ENTER TODAY** for your chance to WIN MILLIONS!

EVERY PRIZE IS PAID OUT IN LUMP-SUM, TAX-FREE CASH!

Name _____

Address _____

City _____ State _____ Zip _____

Tel (_____) _____ Account No _____

All prices in U.S. funds. Handling charges included.
Make check or money order payable to **I.D.M. Corp**
or **CALL TOLL-FREE 1-800-828-5825 Ext. 18**
Please have your credit card number and expiry date handy.
I am enclosing my personal Check or Money Order or
charge my VISA or MasterCard or American Express

CREDIT CARD NUMBER

CREDIT CARD EXPIRY DATE _____ SIGNATURE _____

DO YOU HAVE A CREDIT CARD? YES NO

TOTAL COST
\$ _____

Name _____

Address _____

City _____ State _____ Zip _____

Tel (_____) _____ Account No _____

All prices in U.S. funds. Handling charges included.
Make check or money order payable to **I.D.M. Corp**
or **CALL TOLL-FREE 1-800-828-5825 Ext. 18**
Please have your credit card number and expiry date handy.
I am enclosing my personal Check or Money Order or
charge my VISA or MasterCard or American Express

CREDIT CARD NUMBER

CREDIT CARD EXPIRY DATE _____ SIGNATURE _____

DO YOU HAVE A CREDIT CARD? YES NO

TOTAL COST
\$ _____

We reserve the right to make corrections and/or changes to all Lotto 6/45 numbers which are incorrect if we do not receive complete and correct Lotto 6/45 selections from you, the computer will select the numbers. In the event of a discrepancy the numbers we select for you shall be considered final.

Name _____

Address _____

City _____ State _____ Zip _____

Tel (_____) _____ Account No _____

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or **CALL TOLL-FREE 1-800-828-5825 Ext. 18**
Please have your credit card number and expiry date handy.
I am enclosing my personal Check or Money Order or
charge my VISA or MasterCard or American Express

CREDIT CARD NUMBER

CREDIT CARD EXPIRY DATE _____ SIGNATURE _____

DO YOU HAVE A CREDIT CARD? YES NO

TOTAL COST
\$ _____

Name _____

Address _____

City _____ State _____ Zip _____

Tel (_____) _____ Account No _____

All prices in U.S. funds. Handling charges included.
Make check or money order payable to **I.D.M. Corp**
or **CALL TOLL-FREE 1-800-828-5825 Ext. 18**
Please have your credit card number and expiry date handy.
I am enclosing my personal Check or Money Order or
charge my VISA or MasterCard or American Express

CREDIT CARD NUMBER

CREDIT CARD EXPIRY DATE _____ SIGNATURE _____

DO YOU HAVE A CREDIT CARD? YES NO

TOTAL COST
\$ _____

WINNING ADVANTAGE AUSTRALIAN ENTRY FORM

SHARE the WEALTH

LOTTERY GROUP PLAY PLAN

Get thousands of chances to WIN LUMP-SUM, TAX-FREE CASH in Lotto 6/45 Australia's biggest game for players who want to WIN MILLIONS.

But wait...here's how you can get a bigger share in that \$300 Million Prize Pool:
Enter 2 groups for as little as \$55.00 or enter 3 groups for \$81.00! It's that simple, it's that easy!

Beat the odds and increase your chances of making your dreams come true with
Australia's Lotto 6/45 and Winning Advantage Group Play Plan.

When we receive your order, our computer will join you with 249 other players in a system calculated to beat the odds. Your Group will have 84 sets of 6 numbers. Then we'll enter those numbers for the next 30 Lotto 6/45 prize draws. As soon as we get your entry, we'll send you a complete listing of your Group's numbers. Then once all 30 draws have taken place you can watch your mailbox for the most exciting part of all...the Official Winning Numbers drawn and a statement of your TOTAL WINNINGS!

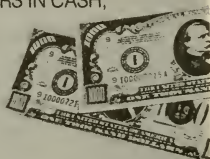
SEE OVER TO WIN TAX-FREE, LUMP-SUM CASH! ➡

Lotto 6/45

Pick your own lucky numbers and YOU COULD WIN OVER \$19 MILLION DOLLARS IN CASH,

Thousands of big prize winners are drawn every week.
100 NEW MILLIONAIRES THIS YEAR... YOU COULD BE ONE OF THEM.

Choose your 6 lucky numbers and play the game.
Match 3 and you're a guaranteed Australian Lotto 6/45 winner!



SEE OVER TO WIN TAX-FREE, LUMP-SUM CASH! ➡

INSTANT Scratch

JUST SCRATCH...MATCH... AND YOU'RE A WINNER! UP TO \$25,000.00 CASH INSTANTLY.

Over \$6,000,000.00 in total prize money in every issue. Just rub off all the squares on your ticket, match 3 the same and you win the amount shown on the matching squares.

It's the easiest game to play, and you find out instantly how much you've won!



SEE OVER TO WIN TAX-FREE, LUMP-SUM CASH! ➡

TRIPLE STAKES JACKPOT

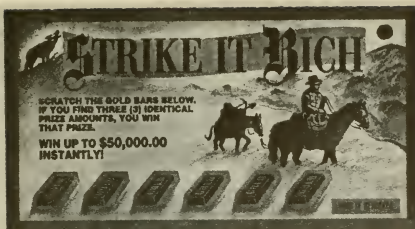
Get into 3 of the World's **Biggest** Lotteries...
New York, Canada, Australia...3 of the biggest games for players who want to **WIN MILLIONS!**

But wait...here's how you can get a bigger share in that \$300 Million Prize Pool:
Enter 2 groups for as little as \$55.00 or enter 3 groups for \$81.00! It's that simple, it's that easy!

Beat the odds and increase your chances of making your dreams come true with
Australia's Lotto 6/45, New York's Lotto 6/54 and Canada's Lotto 6/49.

From the moment we hear from you, the odds will be stacked in your favor for the HUGE PAYDAY! That's because you'll have a whopping 2,520 CHANCES to win over a 10 week play period. And you'll be playing three of the biggest lotteries going...the New York lotto, Australian lotto and Canadian lotto. You'll be teamed up with 249 other Americans, and your group will be given 42 sets of numbers per draw. THAT'S 252 CHANCES PER WEEK AND AN INCREDIBLE 2,520 CHANCES OVER YOUR PLAY PERIOD!

SEE OVER TO WIN TAX-FREE, LUMP-SUM CASH! ➡

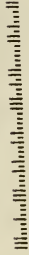


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 CANADA

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 STAMP
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Canada's B-I-G Prize Lotto 6/49, we know that some of that money will be coming your way.

There's more!

Tell us your own lucky numbers.
They could win you 101 more tickets free!

Look for the lucky number stickers we've enclosed with this mailing. Use them to tell us what your favorite lucky numbers are. They could win you an extra 101 tickets free. That means you have an extra 101 chances to strike it rich!

As soon as we receive your Activation Form, all your lottery tickets will be entered for you automatically in 20 consecutive Lotto 6/49 drawings. You'll receive a confirmation of all your numbers. You'll know exactly what your combinations are, and you can even watch the drawings on Canadian TV.

You'll get a list of all the winning numbers on a regular basis. Right after the last drawing you'll be informed as to exactly how much money you've won. Imagine the thrill of discovering that you're a winner in Canada's B-I-G Prize Lotto 6/49.

It's not a fantasy. For you, it can be a dream come true. If you've experienced the frustration of playing United States lotteries, now you can discover what it's really like to be a winner. And if you've never played the lottery because the odds are so high and tickets are so expensive, now you can play...and win...for less than 3 cents a chance.

Plus

Win an all-expenses paid
vacation for two in Canada!

Come see our B-I-G glorious country that gave you Canada's B-I-G Prize Lotto 6/49. You'll spend a week each in any two cities you choose. That's two exciting fun-packed weeks in all!

You might choose the rustic charm of Halifax, Nova Scotia, or maybe you prefer Montreal, the Paris of North America. How about the metropolitan sophistication of Toronto, or the Rocky Mountain splendor of Calgary? You can even visit Vancouver, the heart of the Pacific Northwest, or any other Canadian city of your choice.

An exciting vacation in any two of these exciting cities can be yours if you win our Bonus Sweepstakes. We'll even give you \$1,000 in spending money. Or you can choose \$5,000 in cash instead of the vacation.

Send in your Activation Form now.

Your participation in Winner's is already approved. All you have to do is activate it. Simply enter the necessary information on the Activation Form, and return it in the envelope provided, along with your check or money order.

If you prefer, you can charge it on your Visa or Mastercard. Better yet, simply call toll-free 1-800-333-2857. But do it now before this incredible opportunity slips away.

Imagine! A share of \$100,000,000 for only \$29.95. You have so many chances of winning that it's practically a sure thing! Don't miss out. Get in on the action...and the winnings...NOW!

I look forward to writing to you again soon - to tell you that you're a winner in Canada's B-I-G Prize Lotto 6/49.

Sincerely yours,
WINNER'S

per:

JoAnn Simpson

JoAnn Simpson
Awards Director

P.S. I simply can't stress it enough. There are so many cash prizes in Canada's B-I-G Prize Lotto 6/49 that we can almost guarantee you'll be a winner. Don't miss out on your share of \$100,000,000. Activate your Winner's group play now!

WINNER'S MARKETING INC. ("WINNER'S")

Winner's

**This ticket in
Canada's BIG
Lottery has your
name on it.**

6 - 7 - 18 - 28 - 34 - 36

W1976M
David Gerity
160 Bergen St
Woodbridge, NJ
U.S.A. 07095-1803

It Could Be Worth Millions

January 22, 1993

Dear David Gerity,

Those are the numbers on a lottery ticket in Canada's lucrative B-I-G Prize Lotto 6/49. That ticket has already been purchased...and I've reserved it for you.

But there's more! Much more! Because that ticket is only one of 50 B-I-G Prize Lotto tickets I have reserved in your name. That's right, 50 tickets, with 50 different combinations.

And there's still more! Each of those 50 tickets is yours through twenty consecutive drawings. That's 1,000 lottery tickets in all... with a chance to win a huge share of \$100,000,000.

You read that figure right. One Hundred Million Dollars! And with a thousand different chances, and so many cash prizes in each drawing, it's almost impossible for you not to come out a winner.

Could you buy a thousand tickets in your own state lottery? Of course not. It would cost you a thousand dollars. So what do you do? You buy one, or maybe two or three tickets at a dollar apiece, then hope against hope that you'll come out a winner.

But what if you could buy a thousand tickets? What if you were able to get them not for a dollar apiece, but for less than 3¢ each? Wouldn't you jump at that chance?

Well, that's exactly what WINNER'S is all about. And you've already been selected to be a player. Yes, those 1,000 lottery tickets already have your name on them, and they won't cost you \$1,000. They're yours - all of them - for only \$29.95.

And remember, this isn't just any lottery. This is Canada's B-I-G Prize Lottery 6/49. Each drawing yields many cash prizes. The jackpot is never less than \$1.5 Million, and has actually gone as high as \$19.7 Million. The best part is that now you're in on it!

**1000 chances to win millions
for less than 3 cents each?
How is that possible?**

The secret is really quite simple. You get matched up with 199 other people, to play together and win together. In the next few weeks, 100 Million Dollars or more will be given away, and you could have a share of that immense wealth.

And when you win Canada's famous B-I-G Prize Lotto 6/49, you really win. Your money isn't spread out over twenty years like it is in the States. You get it all...immediately...in one huge lump sum. There aren't even any taxes to eat into your winnings. Every penny is yours to keep!

Imagine having an opportunity like this for only \$29.95. That's all you pay...\$29.95 for 1,000 chances to strike it rich.

If you don't think you're lucky, consider this. Only a tiny percentage of people in the United States have been selected to join WINNER'S, and you're one of them. That already makes you a winner! And with the many cash prizes distributed each week by

WINNER'S MARKETING INC.
APPLICATION RULES AND LIMITATIONS OF LIABILITY

PLEASE TAKE TIME TO READ AND UNDERSTAND THE RULES AND LIMITATIONS OF LIABILITY OF WINNER'S MARKETING INC. BEFORE PARTICIPATING IN ANY OF OUR PROMOTIONS. BY PARTICIPATING IN ANY OF OUR PROMOTIONS, YOU AGREE TO THESE RULES AND LIMITATIONS OF LIABILITY, AS A CONTRACT WITH WINNER'S MARKETING INC.

1. WINNER'S MARKETING INC. IS A SEPARATE, PERSONAL COMPUTERIZED RECORD FOR EACH INDIVIDUAL APPLICANT. YOUR PERSONAL COMPUTERIZED RECORD WILL SHOW MONEY PAID TO YOU, LOTTERY TICKETS PURCHASED BY YOU AND CREDITS FOR LOTTERY WINNINGS. NONE OF THESE ARE SEGREGATED EXCEPT FOR GROUP PLAY WINNINGS.

2. IF YOU ARE PARTICIPATING IN A GROUP PLAY PROGRAM, YOU AGREE THAT WMI WILL COLLECT ANY PRIZE WINNINGS ON YOUR GROUP'S BEHALF, SUBJECT TO THESE RULES AND LIMITATIONS OF LIABILITY.

3. WE RESERVE THE RIGHT TO COLLECT THE PROCEEDS OF YOUR WINNING LOTTERY TICKETS UNDER \$200.00, AND YOU WILL RECEIVE CREDITS FOR THESE WINNINGS ON YOUR PERSONAL COMPUTERIZED RECORD.

4. ALL PRIZES FOR GROUP PLAY WINNINGS, AS A WMI CUSTOMER, ALL PRIZES FROM YOUR WINNING LOTTERY TICKETS OVER \$200.00 WILL BE PAID TO YOU DIRECTLY BY A CANADIAN GOVERNMENT BODY.

5. YOU MAY REQUEST YOUR WINNINGS ANYTIME WITHIN ONE (1) YEAR OF THE DRAW DATE. GROUP PLAY WINNINGS MAY BE REQUESTED AFTER THE LAST DRAW DATE AND AS LATE AS ONE (1) YEAR AFTER THE LAST DRAW DATE SHOWN FOR YOUR GROUP PLAY.

6. YOU MAY REQUEST TO PAY THE FULL AMOUNT OF YOUR CREDITED WINNINGS ON YOUR REQUEST. SIMPLY USE A WINNINGS REQUEST FORM OR WRITE TO WHAT (1997) 2225, 100, 100, WEST GERRARD STREET, MARKHAM, ONT. CANADA V6E 3S7.

7. YOU MAY REQUEST FOR THE CREDITED WINNINGS SHOWN ON YOUR PERSONAL COMPUTERIZED RECORD MUST COME WITHIN 1 YEAR OF THE DRAWING DATE. ALL CREDITED WINNINGS MUST BE CLAIMED WITHIN 1 YEAR OF THE DRAWING DATE. IF YOU FAIL TO PURCHASE A LOTTERY TICKET(S) AS SET OUT IN ANY APPLICATION, WMI WILL BE LIABLE TO YOU (THE APPLICANT), ONLY FOR ANY AMOUNT OF WINNINGS PAID TO YOU.

8. IN ANY EVENT WHERE WE ARE NOT ABLE TO PAY YOUR WINNINGS AS SET OUT IN ANY APPLICATION, WMI WILL BE LIABLE TO YOU (THE APPLICANT), ONLY FOR ANY AMOUNT OF WINNINGS PAID TO YOU. THIS INCLUDES MONEY PAID TO, AND LOTTERY TICKETS PURCHASED BY WMI, AS WELL AS LOTTERY WINNINGS AND LOTTERY WINNINGS CREDITS.

Winners

ENROLL
TOLL-FREE
1-800-333-2857

GROUP PLAY ACTIVATION FORM

Winner's Marketing Inc.
("Winner's")



- YES! I want my share of \$100,000,000 for only \$29.95 U.S. Please accept my application in WINNER'S, and give me a thousand chances to win Canada's B-I-G Prize Lotto 6/49.
- Check the three lucky numbers I've attached. I realize they could win me an extra 101 chances to strike it rich absolutely free!
- Enter me in the Bonus Sweepstakes for the Canadian Vacation. It's an all-expenses-paid trip for two to any two Canadian cities of my choice.

Place your lucky stickers here!

- Enclosed is my check or money order \$29.95 U.S., plus \$2.00 postage and handling.
- Please charge my Visa Mastercard

Dr./Mr./Mrs./Miss _____ W1976M

Name _____

Address _____

City _____ State _____ Zip _____

Phone (____) _____

Birth day _____ / _____ / _____ (you must be over 19 to play)
Day Month Year

Card # _____ Expiry Date _____

Cardholder Signature _____

I HAVE READ AND AGREE TO BE BOUND BY THE RULES AND LIMITATIONS OF LIABILITY DESCRIBED ON REVERSE

Make checks payable to: WINNER'S
P. O. Box 3400, Vancouver, B.C., Canada V6B 3Y4

WC435

Winner's

Winner's Marketing Inc. ("Winner's")

If you wish to enter the
vacation draw only, please
lose this form, along with
a 5x7-in. lined index card
containing your name, zip
code, address, city, state, and
phone number, in a
reply envelope postage and
affix proper to the back of the
envelope "CONTEST ENTRY ONLY".

NO PURCHASE NECESSARY. All entries must be received no later than May 2, 1994, to be eligible. Winner's assumes no responsibility for lost, late or misdirected mail. Void where prohibited by law. Final draw for this sweepstakes will be held May 30, 1994. Prize is a Vacation for two to two Canadian cities as chosen by the winner, approx. retail value \$5,000. Winner may select \$5,000 in cash in place of Vacation. Odds of winning prize dependent upon number of qualified entries received. The prize winner must sign a Waiver of Liability before receiving prize. You must be 19 years of age or older to be eligible. Winner of prize hereby agrees and consents to use of his/her name and likeness by the sponsor of this sweepstakes for promotional purposes. If a prize is not claimed by an eligible winner within two weeks, another winning entry will be picked at random. To claim prize, winner must correctly answer a skill testing question. This sweepstakes is used in different styles and formats by this and other companies. To obtain a list of such formats and companies, send a SASE to: Box 230, 668 Seymour St., Vancouver, B.C., Canada, V6E 5S6.

A Fabulous 2-Week Canadian Vacation

ONE WEEK EACH IN ANY TWO CITIES OF YOUR CHOICE - ABSOLUTELY FREE! (or you can claim \$5,000 in cash instead!)



As soon as we receive your application in Winners, you'll be entered in this great Bonus Sweepstakes. Win 1L and a trip to any two of these wonderful cities, or any other Canadian cities you choose, could be yours to enjoy — FREE!

HALIFAX, NOVA SCOTIA

This rustic city sits on a rocky peninsula in the north Atlantic. You'll visit the historic Citadel, stroll through beautiful botanical gardens, and enjoy plenty of boating, fishing or swimming. A major Canadian seaport, the famous harbor accommodates some of the largest ships in the world.

MONTREAL, QUEBEC

Often called the Paris of North America, this predominantly French speaking city has a distinctly European flavor. Catch the spectacular view from the top of Mount Royal, and enjoy some of the finest dining in the world.

TORONTO, ONTARIO

Niagara Falls. Ride to the top of the famous CN Tower for a breathtaking view over this cosmopolitan city. Day or night, you'll never run out of things to do in Toronto.

CALGARY, ALBERTA

This recent host of the Winter Olympics is situated at the western edge of the Great Plains, and serves as a gateway to the spectacular Canadian Rockies. You'll drive a long breathtaking mountain passes with incomparable scenery, and maybe catch the Calgary Stampede, a famous rodeo and exhibition.

VANCOUVER, BRITISH COLUMBIA

The heart of the Pacific Northwest, Vancouver is one of the world's most

est climates in Canada, and it is truly a visitors delight.

You and a friend will be flown from your home town to the city of your choice. You'll spend a week at one of the finest hotels, and then fly to the second city you've selected. You'll stay at another fine hotel, and even have \$1,000 in spending money for shopping, sightseeing or anything else you want.

If you prefer, you can take \$5,000 in cash instead of the trip. It's up to you. Your chances of winning naturally depend on the number of entries received. But it costs you absolutely nothing.

You're entered automatically when we receive your application in WINNERS. So do it now!

These are your **Winners'** Lucky Number Stamps!

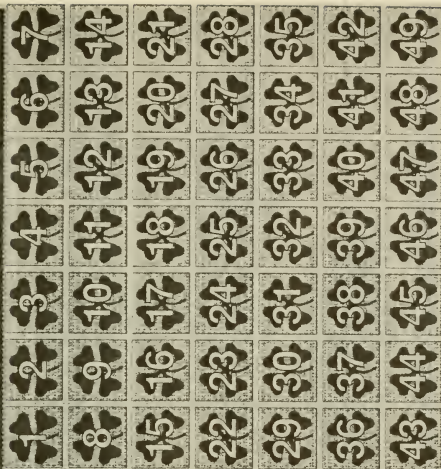
WIN 101 FREE chances to WIN
MILLIONS

Find your three favorite lucky numbers, and attach them in the spaces provided on your Activation Form. The first person to match the three lucky numbers already chosen by our computer will win 101 extra chances absolutely free.

You get 101 FREE chances to win Millions!

Don't delay! Attach your three favorite lucky numbers to the Activation Form, and send it in today.

**YOU COULD WIN A
MILLION - FREE!!**



MOISTEN THIS FLAP AND FOLD IT OVER THE FRONT OF THE ENVELOPE TO SEAL

Winner's Circle

INTERNATIONAL

Winner's Marketing Inc. ("Winner's Circle International")

DAVID GERITY
WINS \$10,000,000.00 IN CANADIAN LOTTERY!

This will probably be the headline in the NJ daily newspaper when your free entry into the Canadian Lottery hits big!

Dear David Gerity,

Unlike American lotteries, Canadian winnings are paid in one lump sum TAX-FREE payment so you win hundreds of thousands more right away.

All you have to do is check the Bonus Box on the Winner's Circle International application form and pick the winning numbers. By responding immediately, your application will be processed right away, and your Canadian Lottery confirmation will be sent to you.

Please pick your six lucky numbers on the Pick Six Form (or check Quick Pick and the computer will pick the numbers for you).

Remember the more times you enter the more chances you have to win! Play our 4, 10 or 40 draw specials and we'll enter you in the Canadian Lottery for up to 5 months. Twenty weeks of money making chances! Every year billions of dollars in lottery prizes are given away to people like yourself. Isn't it time to claim your share?

Good Luck,
Winner's Circle International

Joanne Simpson

per Joanne Simpson

LISTEN THIS FLAP AND FOLD IT OVER THE FRONT OF THE ENVELOPE TO SEAL

TO FIT APPLICATION FORM IN REPLY ENVELOPE
FOLD ALONG PERFORATION AND REMOVE THIS STRIP

Winners Circle
INTERNATIONAL

**CANADIAN LOTTERY
APPLICATION FORM**



WINNER'S MARKETING INC. ("WINNER'S CIRCLE INTERNATIONAL")

QUICK PICK
-OR-
I've marked my six
numbers below

PICK SIX

1	11	21	31	41
2	12	22	32	42
3	13	23	33	43
4	14	24	34	44
5	15	25	35	45
6	16	26	36	46
7	17	27	37	47
8	18	28	38	48
9	19	29	39	49
10	20	30	40	

- 4 draws of Canadian Lotto \$9.95
- 10 draws of Canadian Lotto \$24.95
- 20 draws of Canadian Lotto \$49.95

FREE BONUS BOX
Bonus draw in Canadian Lotto
6/49 with each paid application

TO APPLY BY PHONE TOLL FREE
1-800-333-2857

Payment by: CHECK VISA MASTERCARD

CREDIT CARD
EXPIRY DATE

CARD NUMBER

CARDHOLDER'S SIGNATURE

Please make checks payable to: **WINNER'S CIRCLE INTERNATIONAL**

J2072M
DAVID GECITY
100 JERGEN ST.
J0008 RIDGE, NJ 07095

MY PHONE NUMBER () WE CALL ALL OUR BIG WINNERS
I'VE READ AND AGREE TO THE RULES AND LIMITS OF LIABILITY ON REVERSE

RETAIN THIS STUB FOR YOUR RECORDS
DATE ORDERED
AMOUNT PAID \$
BY: CHECK VISA MASTERCARD

MAILED TO: WINNER'S CIRCLE INTERNATIONAL

P.O. BOX 3400

Vancouver, BC Canada V6B 3Y4

TEAR ALONG DOTTED LINE

TOP OF THE ENVELOPE TO SEAL

40¢ POSTAGE
TO CANADA
Post Office will
not deliver
without correct
Postage

WINNER'S MARKETING INC.

APPLICATION RULES AND LIMITATIONS OF LIABILITY
FOR THE PROTECTION OF ALL PARTIES, PLEASE TAKE TIME TO READ AND UNDERSTAND
THE RULES AND LIMITATIONS OF LIABILITY OF WINNER'S MARKETING INC.

IN RETURN FOR WINNER'S MARKETING INC. ("WMI"), ACCEPTING YOUR APPLICATION, THE APPLICANT, ("YOU"), ACCEPT THESE RULES AND LIMITATIONS OF LIABILITY, AS A CONTRACT WITH WMI

(I) WMI KEEPS A SEPARATE PERSONAL COMPUTERIZED RECORD FOR EACH INDIVIDUAL APPLICANT. YOUR PERSONAL COMPUTERIZED RECORD WILL SHOW MONEY PAID TO WMI, LOTTERY TICKETS PURCHASED BY WMI AND CREDITS FOR LOTTERY WINNINGS NONE OF THESE ARE SEGREGATED EXCEPT FOR GROUP PLAY WINNINGS.

(II) IF YOU ARE PARTICIPATING IN A GROUP PLAY PROGRAM, YOU AGREE THAT WMI WILL COLLECT ANY PRIZE WINNINGS ON YOUR GROUP'S BEHALF, SUBJECT TO THESE RULES AND LIMITATIONS OF LIABILITY.

(III) EXCEPT FOR GROUP PLAY WINNINGS, AS A WMI CUSTOMER, WMI WILL COLLECT THE PROCEEDS OF YOUR WINNING LOTTERY TICKETS UNDER \$1,000.00, AND YOU WILL RECEIVE CREDITS FOR THESE WINNINGS ON YOUR PERSONAL COMPUTERIZED RECORD

(IV) EXCEPT FOR GROUP PLAY WINNINGS, AS A WMI CUSTOMER, ALL PRIZES FROM YOUR WINNING LOTTERY TICKETS OVER \$1,000.00 WILL BE PAID TO YOU DIRECTLY BY A CANADIAN GOVERNMENT BODY

(V) YOU MAY REQUEST YOUR WINNINGS ANYTIME WITHIN ONE (1) YEAR OF THE DRAW DATE. GROUP PLAY WINNINGS MAY BE REQUESTED AFTER THE LAST DRAW DATE AND AS LATE AS ONE (1) YEAR AFTER THE LAST DRAW DATE SHOWN FOR YOUR GROUP PLAY

(VI) WMI AGREES TO PAY THE FULL AMOUNT OF YOUR CREDITED WINNINGS ON YOUR REQUEST. SIMPLY USE A WINNINGS REQUEST FORM OR WRITE TO WMI AT [BOX 223, 688 SEYMOUR STREET, VANCOUVER, BC, CANADA V6B 5S6]

(VII) YOUR REQUEST FOR THE CREDITED WINNINGS SHOWN ON YOUR PERSONAL COMPUTERIZED RECORD MUST COME WITHIN 1 YEAR OF THE DRAWING DATE. ALL CREDITED WINNINGS FROM ANY APPLICATION LEFT UNCLAIMED AFTER 1 YEAR WILL BE RELINQUISHED TO WMI

(VIII) IF, FOR ANY REASON, WMI FAILS TO PURCHASE LOTTERY TICKET(S) AS SET OUT IN ANY APPLICATION, WMI WILL BE LIABLE TO YOU (THE APPLICANT), ONLY FOR ANY AMOUNT OF MONEY EQUIVALENT TO THE AMOUNT PAID BY YOU IN ANY APPLICATION.

(IX) EXCEPT AS EXPRESSLY PROVIDED AND AGREED TO, WMI AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND SHAREHOLDERS DO NOT ACT AS TRUSTEES, FIDUCIARIES OR AGENTS ON YOUR BEHALF. THIS INCLUDES MONEY PAID TO, AND LOTTERY TICKETS PURCHASED BY WMI, AS WELL AS LOTTERY WINNINGS AND LOTTERY WINNINGS CREDITS.

(X) AS WELL AS GIVING WMI APPLICANTS A CLEAR UNDERSTANDING OF HOW WMI WORKS, THESE RULES AND LIMITATIONS OF LIABILITY ARE ALSO FOR THE BENEFIT OF WMI AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND SHAREHOLDERS.

MAIL POSTE
 Canada Post
 Services Canada
 Postes et
 Télégraphes
 269
 V6B 3A0

P.O. Box 6620
 Vancouver, B.C.
 Canada V6B 4B5

VIA AIR MAIL PAR AVION



PLACE
 40¢
 STAMP
 HERE

VIA AIR MAIL PAR AVION

Priority Processing
 P.O. Box 6580
 Vancouver, BC V6B 4B5
 CANADA

This card is the property of the issuer and must be returned upon request.
 Playcard enters person in 10 to 25 AUSSIE 6/45 Drawings.

FORM OF PAYMENT

Use of this Card constitutes acceptance by the Gold Card Player of the terms and conditions of this Card and player agrees to pay for Lottery Tickets as checked below:

- 10 PLAYS - \$20.00 U.S.
 15 PLAYS - \$30.00 U.S.
 25 PLAYS - \$50.00 U.S.

I HAVE READ AND AGREE TO THE RULES AND LIMITATIONS OF LIABILITY DESCRIBED HEREIN

Check or Money Order enclosed, payable to:
 PROJECT RAINBOW
 Or Charge my MASTERCARD VISA

Credit Card No. _____

Expiry Date _____

Signature _____

**{ YOUR
 BEST
 PLAY! }**

Phone (_____) _____

We often notify our winners by phone.

To order, or for questions about play,
 payment, collection of prizes, call TOLL-FREE

1-800-234-5121

↑ Detach, complete front and back of card
 and return in enclosed reply envelope today! ↓

**BEATS THE U.S. PAYOUTS BY MILLIONS! \$8 TO \$10 MILLION A WEEK ON AVERAGE
 WEEKLY JACKPOT: \$1,500,000.00 U.S.!**

We're introducing Americans to the thrills of AUSSIE 6/45. This cash cow pumps \$8 to \$10 MILLION in prize money weekly to Americans in on its secret--tax-free!

WHY ARE WE ALERTING YOU TO AUSSIE 6/45 TODAY?

The time is right. In the next 100 days AUSSIE 6/45 will give away one special jackpot of \$9,000,000.00. Your Gold Card makes you eligible to win this super jackpot outright if you play your Gold Card today!

LUMP SUM, TAX-FREE PAYOUTS BEAT U.S. PLAY!

If the numbers you pick are winners, Project Rainbow will track your winnings and send you checks in U.S. dollars on request. The checks will be for your entire prize.

Unlike U.S. lotteries, AUSSIE 6/45 does not take out winnings for taxes. AUSSIE 6/45 does not defer payments over 20 years. AUSSIE 6/45 pays its winners the full amount--CASH up!

PAY LESS TO PLAY. WIN MORE WHEN YOU WIN! GET BETTER ODDS!

If you love lotto, now is the time to get in AUSSIE 6/45! Shoot for your share of a weekly \$10 MILLION pool, with jackpots from \$1.5 MILLION to a \$9 MILLION SUPERPOT! AUSSIE 6/45 not only makes lotto dollars count! It gives better odds! You only pick numbers from 1 to 45 to win!

WIN CASH WITH ONLY 3 CORRECT NUMBERS PLUS EITHER BONUS NUMBER (IN ANY ORDER).

Pick all 6 and you win the jackpot! Every week when you have 3 plus either bonus number, 4 or 5 correct you could win a prize. As much as \$5,000.00, \$25,000.00, \$100,000.00--and it mounts up!

SOUNDS LIKE FUN? YOU BET!

When you play AUSSIE lotto 6/45, we'll send you confirmation of the numbers you select on your Gold Card, and enter them in the Saturday AUSSIE 6/45 draws.

Be a believer by signing and returning your Gold Card today! Or enroll toll free, 1-800-234-5121 to play instantly! **GOOD LUCK, MATE!**

PROJECT RAINBOW

DBF

Robin Sutcliffe
 Robin Sutcliffe

*P.S. Find the fabulous Fiver Slot Machine to go for more weeks of EXTRA Play as a BONUS!
 Remember you must return your personal Gold Card by the deadline to enter!*

P.P.S. WIN an island for a week! Look on the back of your fabulous Fiver Card for the "Win An Island Game!"

AUSSIE 6/45

PROJECT
RAINBOW\$9,000,000.00
GOLD CARD

Semper Holdings Limited ("Project Rainbow")

**PRESENTING THE DAVID GERITY
\$9 MILLION RAINBOW GOLD CARD**

 PLACE AN "X" IN ANY 6 BOXES TO PLAY
FOR \$8 MILLION OR MORE EVERY WEEK.

1	2	3	4	5	6	7	8	9
10	11	12	13	14	15	16	17	18
19	20	21	22	23	24	25	26	27
28	29	30	31	32	33	34	35	36
37	38	39	40	41	42	43	44	45

 PROJECT RAINBOW
P.O. Box 8560,
Vancouver, B.C., Canada V8B 4B5

 YES, enter my 6 Numbers
checked in the fabulous
AUSSIE LOTTO 6/45
every Saturday for term
checked.

 I have authorized form of
payment on back of this
card.

 10 WEEKS - \$20.00 U.S.
 15 WEEKS - \$30.00 U.S.

Phone _____

List phone for news of big cash wins

R1940M

 David Gerity
160 Bergen St
Woodbridge, NJ
U.S.A 07095-1803

1. Pick 6 Numbers.
2. Sign the back.
3. Mail it and Play it!

December 30, 1992

SEMPER HOLDINGS LIMITED ("Project Rainbow")

**IMMEDIATE PLAY REQUEST MUST BE RECEIVED BY
January 28, 1993 FOR FREE PLAYS.**

 You could win \$9,000,000.00 TAX FREE in 100 days with the Gerity
Gold Card! Plus you may have already won FREE PLAYS!

Dear David Gerity,

\$2 to win \$9 million dollars!?!?! What a deal!

 Project Rainbow, the international lotto "master," has the right to put
the Gerity name into one of the world's
richest tax-free lotteries in the land down under: fabulous AUSSIE Lotto 6/45
for the price of a cup of coffee!

 May we play your favorite numbers, David Gerity
in what could be the hottest, richest 100 days in AUSSIE 6/45 history,
beginning now?

 We have issued this \$9,000,000.00 David Gerity Gold Card
that gives you 10, 15 even 25 weeks of play in this lottery for the incredible
low price of \$2.00 a week!

 All you do is pick the 6 numbers on the Gold Card you want going when
AUSSIE 6/45 gives away \$9 million to one lucky person! Fill in the
Gerity Gold Card and get in the money!

**LOOK FOR THE FABULOUS "FIVER" CARD! YOU MAY ALREADY HAVE WON A FIRST TIME
PLAYER BONUS OF MORE FREE PLAYS.**

 Go to the fabulous fiver slot machine card enclosed--scratch off the
payout window! Project Rainbow will give you up to 3 weeks more free plays!

 Come in with us in the next 14 days to win big-money in AUSSIE Lotto 6/45
without leaving Woodbridge. Play the Gerity
Gold Card now. Write in the Gerity phone number, too -- if you wish
to know the instant we know you have won a prize of \$1,000.00 or more!
\$2 A PLAY!

78

 You pay only \$2.00 U.S. a week to have a chance to win \$9 Million tax-free
and you have the same chance every Saturday to share in the cash-rich weekly
pools awarded every 7 days!

\$9,000,000.00
**GOLDEN
GRAM**


PR004

WHO WINS IN AUSSIE 6/45?

Americans do, Americans like...



Jennifer C. - JACKPOT WINNER



Judy H. - DREAM CAME TRUE



Margaret G. - WON TWICE



Kathy W. - DOUBLE MILLION DOLLAR WINNER



Joan H. - WON THREE TIMES

GET IN THE WINNING DOWN UNDER
 Return your Gold Card
 with your 6 Numbers Today
 or order TOLL-FREE
1-800-234-5121

ABOUT PROJECT RAINBOW AUSSIE 6/45

Project Rainbow is an independent Lottery Research Organization.

We are an independent research organization and provide the most accurate source of information on lottery games.

OVER THE HORIZON

Thanks, Project Rainbow, and our Lottery Members play in lotteries all over the world, by sending their requests by e-mail or by calling in Texas.

Records of our drawings are kept by our Lottery Members and paid out by lottery telephones, if you wish.

ALL records are kept in strict confidence and only you are notified of your winnings.

If you have any questions about Project Rainbow, you may call us TOLL-FREE 1-800-234-5121.



GOLD CARD



**THE CARD THAT
 IF YOU PLAY
 COULD WIN YOU
 \$9,000,000.00
 TAX-FREE
 IN ONE LUMP SUM!**

DON'T PLAY LOTTERIES WITHOUT IT!



Start the Party! You could be just a phone call away from hearing...

"Congratulations Mate! You're an AUSSIE LOTTERY MILLIONAIRE"

That's right, your numbers could already have been drawn in Australia's BIG Jackpot Lotto 6/45

Call Project Rainbow's new **WINNING NUMBERS HOTLINE 1-900-990-5550*** to hear the winning numbers in Saturday's drawing. Information is updated every Tuesday (1pm Pacific Time) so keep this Hotline Number handy. Who knows you could be just a phone call away from a **MILLION DOLLAR CELEBRATION!**

*Just 99c will be added to your phone bill for this "Million Dollar" phone call.

So call right now **1-900-990-5550**

PR499



بوتة

بوتة

WIN AN ISLAND FOR A WEEKSM
Go!

SPEND A WEEK IN A SOUTH PACIFIC TROPICAL PARADISE OR THE ISLAND OF YOUR CHOICE.

A \$7,000.00 bonus vacation for two on the island of your choice anywhere in the world or \$7,000.00 cash!

If you find a kangaroo, return this card to be eligible for the final round when this Aussie Island Vacation will be given away! Gold card must be returned with this card by deadline to be eligible.

WIN AN ISLAND FOR A WEEKSM (Project Malibu®)

FIJI ISLANDS

AUSTRALIA

NEW ZEALAND

TAHITI

HAWAIIAN ISLANDS

PHILIPPINES

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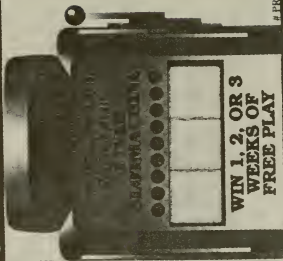


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SEMPER HOLDINGS LIMITED ("AUSTRALIAN LOTTERY BILLIONAIRES CLUB")

DAVID GERITY

WMS \$10,000,000.00 IN AUSTRALIAN LOTTE^{RY}

This will probably be the headline in the NJ daily newspaper when your free entry into the Australian Lottery hits big!

Dear David Gerity,

Unlike American lotteries, Australian winnings are paid in one lump sum TAX-FREE payment so you win hundreds of thousands more right away. Take a look at all those zeros.

All you have to do to win is check the Bonus Box on the Australian Lottery Billionaire Club membership form and pick the winning numbers. By responding immediately, your membership will be activated right away, and your Australian Lottery confirmation will be sent to you.

Please pick your six lucky numbers on the Pick Six Form (or check Quick Pick and the computer will pick the numbers for you).

Remember, the more times you enter the more chances you have to win! Play our 5, 10 or 50 week specials and we'll enter you in the Australian Lottery for up to a year. Fifty weeks of money making chances! Every year billions of dollars are given away to people like yourself in lottery prizes. Isn't it time to claim your share?

Good Luck,

Australian Billionaires Club

per Robin Sutcliffe

Robin Sutcliffe

INTERNATIONAL CORRESPONDENCE OFFICIAL

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-Or-
I've marked my six
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PICK SIX					
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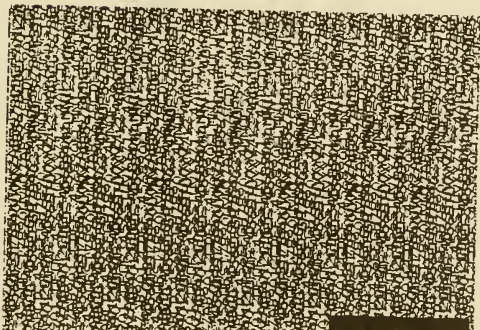
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CANADA

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IN RETURN FOR SEMPER HOLDINGS LIMITED (S.H.L.), ACCEPTING THIS APPLICATION, THE APPLICANT, AGREES TO THE FOLLOWING RULES AND
 LIMITATIONS OF LIABILITY AS A CONTRACT WITH S.H.L.

(1) S.H.L. MAINTAINS SEPARATE COMPUTERIZED RECORDS IN RESPECT OF INDIVIDUAL APPLICANTS. THESE RECORDS SHOW MONEY PAID TO S.H.L.
 LOTTERY TICKETS PURCHASED BY S.H.L. AND CREDITS FOR LOTTERY WINNINGS PAID TO S.H.L. BY THE APPLICANT. THESE RECORDS
 ARE NOT SEGREGATED EXCEPT FOR GROUP PLAN WINNINGS. THE APPLICANT AGREES TO HOLD S.H.L. HARMLESS FROM AND TO INDEMNIFY S.H.L. FROM ALL
 PRIZE WINNINGS SUBJECT TO THESE RULES AND LIMITATIONS OF LIABILITY.

(2) PRIZE WINNINGS WILL BE HANDLED IN ACCORDANCE WITH THE REGULATIONS OF THE INTERNATIONAL LOTTERY PLAYED
 BY S.H.L. THE APPLICANT AGREES TO HOLD S.H.L. HARMLESS FROM AND TO INDEMNIFY S.H.L. FROM ALL WINNINGS RECEIVED BY S.H.L. WINNINGS ARE CONVERTED TO
 U.S. FUNDS AT THE MARKET VALUE ON THE DATE DETERMINED BY S.H.L.

(3) YOU MAY REQUEST PAYMENT OF YOUR CREDITED WINNINGS AGAINST THE VALUE OF ANY WINNINGS REQUEST FORMS WHICH WILL BE
 SENT TO YOU WHEN YOUR DRAWINGS ARE COMPLETED OR WRITE TO S.H.L. AT (BOX 366 688 SEYMOUR STREET, VANCOUVER BC, CANADA, V6B 9S8)

(4) YOU MAY REQUEST PAYMENT OF YOUR CREDITED WINNINGS WITHIN 1 YEAR OF THE DRAWING DATE. ALL CREDITED WINNINGS UNCLAIMED AFTER 1
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(5) IF S.H.L. FAILS TO PURCHASE A LOTTERY TICKET OR TICKETS PURSUANT TO TERMS OF AN APPLICATION FOR ANY REASON, S.H.L. IS LIABLE TO THE
 APPLICANT ONLY FOR AN AMOUNT OF MONEY EQUIVALENT TO THE AMOUNT PAID BY THE APPLICANT IN ANY APPLICATION FOR SUCH TICKETS. S.H.L. IS
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 (6) EXCEPT AS EXPRESSLY PROVIDED AND AGREED TO BY S.H.L. AND US OF FORT COCKBURN, BRITISH COLUMBIA, CANADA, THESE RULES
 OR LOTTERY WINNING CREDITS, AND ARE NOT LIABLE FOR ANY ACT OR DEFAULT OF ANY LOTTERY TICKET SUPPLIER.
 (7) THESE RULES AND LIMITATIONS OF LIABILITY ARE FOR THE BENEFIT OF S.H.L. AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND SHAREHOLDERS.

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David Gerity
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Phone () _____

NewEagle is proud to combine forces with the world's most successful lottery systems expert, to take aim at Canada's government-guaranteed Lotto Jackpots.

NEW EAGLE

Box 573, 668 Seymour St.
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New Eagle Network Inc.
("NewEagle")

Dear David Gerity,

Is there really a system that can beat the lottery?

Ask Sharon J. of Reading Center, New York. Her life changed when she won \$13.8 Million Dollars in the New York State Lottery--using Gail Howard's lottery winning system!

29 LOTTO JACKPOT WINNERS HAVE WON \$71.3 MILLION DOLLARS
...YOU could be next!

Gail Howard's system is no fluke! It has won an astonishing \$71.3 million dollars in jackpot wins alone! Prizes of \$100,000.00 or less, won by players using her system, are too numerous to count!

CLUSTERING - KEY TO THE GAIL HOWARD WHEEL

Gail Howard's scientific wheeling system tracks winning numbers and creates clusters of numbers most likely to be drawn. From these clusters, she will choose combinations in Lotto 6/49 that will give NewEagle players a chance to WIN MORE PRIZES, MORE OFTEN, week after winning week!

As a serious Lotto player, David Gerity, I'm sure you know that: 1) You've got to be in it to win it. 2) You can't consistently beat the odds without using a proven, valid system. Why wait for dumb luck? It makes sense to play smart! Try Gail Howard's scientific system with NewEagle NOW!

If you spend \$40 a month on 40 tickets in your state's lottery, you will be surprised to know that for less money, you could have 5,000 (or up to 30,000) chances to win in North America's richest tax-free lottery. And Gail Howard will use her expert skills to scientifically choose your numbers for you.

Accept this exclusive Invitation from NewEagle, North America's most respected lottery group. Gail Howard will select every set of Lotto numbers to be played for you for the next 10 weeks in Canada's rich Lotto 6/49.

Why Lotto 6/49, NewEagle and Gail Howard now?

Lotto 6/49 tax-free million\$ are paid in a cash lump sum. NewEagle is an old, established lottery company. And Gail Howard is a PROVEN WINNER! The secret behind Gail's system is clustering and combining! Gail isolates more than six numbers, and plays special sets of combinations of the numbers most likely to come up as winners.

The Lotto 6/49 winning numbers are drawn every Wednesday and Saturday on national TV. Jackpots start at \$1.5 million and roll over to \$5 million the next drawing, and \$10 million after that. Thousands of other cash prizes are given away each drawing.



...LUMP SUM TAX-FREE JACKPOTS!

Budget

If you're cautious, this may be the plan for you. For just \$89.00, you can play Canadian Lotto 6/49 for 20 consecutive drawings.

5,040 Chances to Win **\$89.00** U.S.

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Thousands are using this plan. Imagine playing for \$81 million at just 1.5¢ per play. Double your chances. Just \$149.00

10,080 Chances to Win **\$149.00** U.S.

Deluxe

The best deal for the smart player — less than 1 1/2¢ per play. And don't forget that all wins are TAX-FREE. Only \$399.00

30,240 Chances to Win **\$399.00** U.S.

BONUS! Five Free Scratch 'n' Win tickets. Each could win you \$10,000 INSTANTLY!

New Eagle's Pledge of Service

We pledge to you...
To provide prompt, efficient service at all times.
To provide up-to-the-minute information quickly... efficiently... correctly.
To provide excellent service by mail and by phone.
New Eagle works for you...our customer.

Meet some of our Recent Winners



His prize totalled \$1,771,468! "I had just come home from church and called the winning numbers line," Al says. "I checked my tickets and called for Ruth. She called the winning numbers line, too! I was ecstatic — all six!"



"My husband was right beside me when I checked my ticket," Flor says. "I told him I had five numbers right and he said: 'That's not bad.' Then I checked the ticket again and saw I had missed the bonus number!" Flor and Roger won \$122,037.60!



"I watched the draw on TV and knew right away I had four numbers," she says. "Then I saw the fifth and the bonus, and a strange feeling came over me." \$121,569.20!

Three Group Plans to Choose from...



New Eagle Network Inc. ("New Eagle")

What is GROUP PLAY?

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New Eagle's GROUP PLAY



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Here's what they're saying about NewEagle's Special Advisor

The New York Times

August 9 & 25, 1985 - Lotto players "may want to buy a chance on the great American dream," but they don't live in a dream world. The consensus of most Lotto players is that they would rather have a chance of winning \$1 million than no chance of winning \$50 million.

Miss Howard said the emphasis on big prizes had squeezed out the smaller prizes, and fewer and fewer people had the chance of winning anything.

The small prizes are important, Miss Howard said, because they keep people interested and keep them buying tickets.

It was letters about the lack of winners that prompted (New York Lottery Director) Mr. Quinn to institute the emergency change last month. The change added a fourth prize category that was designed to create a large pool of small winners."

Forget Lady Luck - Gail Howard - the nation's leading "handicapper" has a system...

The Washington Times



Gail Howard is a former stockbroker and commodity futures trader who decided to put her predictive skills to work in the lottery business - and with astounding results.

Her ability to turn players into millionaires is making lottery history! So far Gail is credited with 29 documented Lotto Jackpot winners...their total winning - \$71,294,399.00.

Howard's systems have proved to be the most successful tools at breaking the Lotto odds - regardless of the size of the number field. Not only are they effective, but they are simple and as easy to use as A-B-C.

Gail has appeared on hundreds of radio and television shows including the Today show and Good Morning America. In addition to her ever-popular book "LOTTO - How to Wheel A Fortune", she has authored several newsletters, numerous articles and a 64-page Pocket Guide that is also in great demand. All in all, Ms. Howard has created a truly mathematical breakthrough for the serious lottery player...and now for NewEagle Network participants, as well.

Newsday

THE LONG-ISLAND NEWSPAPER

(UPI) June 3, 1986 - A housewife who used a tip sheet to become the sole winner of the \$13.3 million said yesterday she would stop playing the game and give others a chance to get rich.

Sharon Jaynes, 45, of Reading Center, a tiny Finger Lake hamlet near Watkins Glen, said she used a booklet she bought, "State Lotteries: How to Get In It...and How to Win It" by Gail Howard to pick her winning combination, 8-10-20-41-42-48.

Insight

September 16, 1986 - "Gail Howard has a message for all you hapless souls who dream of winning riches in the state lottery. You can win, and she has the system that can help you do it. There is no denying that she is luckier than most people.

How does she account for her success? "I track randomness, which forms patterns that are predictable to a certain extent," she says.

Howard's theories have one simple goal: lowering the odds confronting a lottery player. The first way to improve your chances, she says, is by selecting games in which the odds of winning are greater.

After game selection comes number selection "and that's my specialty," says the handicapper, who charts past winners in order to find "hot numbers."

The final strategy involves a "wheeling system," a numerical instrument that allows players to choose a group of more than six numbers, play a special set of combinations of those numbers and get a win guarantee."

Newsweek

Sept. 2, 1985 - Most lottery officials say the surest way to keep up the excitement is to create even larger jackpots - a trend that worries some experts, since it means lengthening the odds on winning. "Each state is trying to one-up the other," says Gail Howard, who advised her readers about this situation. Howard feels that ever-growing odds will discourage regular players and ultimately decrease ticket sales.

Act quickly and you could own Gail Howard's Pocket Guide FREE!

UPI13

LOTTO

How to
Wheel A Fortune

by Paul Howard

To order my book,
Lotto: How to Wheel a Fortune, by Visa or MasterCard, or to get information about my complete lottery systems on computer software, call toll-free 1-800-876-4245. That's 1-800-876-GAIL!

Or use the handy NewEagle invitation to join the team that does all the work for you.

Best of luck,
Gail

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Take this 64-page pocket guide to help you wheel your way to a fortune in your state lottery!

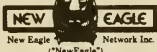
Gail shares with you how to develop a wheel that will dramatically increase your odds of winning!

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PUNCH OUT this sticker and moisten the back of it to attach to your confirmation.



New Eagle Network Inc.
("NewEagle")

U2125

from the desk of Gail Howard



Dear Lotto Player,

I am determined to help you win a Lotto 6/49 jackpot through NewEagle.

All my knowledge and expertise in Lotto will be focused on this challenge: to make your 6/49 jackpot win become a reality.

NewEagle wants you to become a winner, too. That's why they've asked for my expert help in selecting the very best number combinations to play for you.

You will have thousands of chances to win millions\$ every drawing during this 10-week scientific lottery event.

Please respond today. I want to add your name to my growing list of jackpot winners.

No jackpot is safe!

Gail Howard

Gail Howard

U2123

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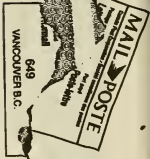
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CANADIAN LOTTONNEWS

VOLUME 10 - NUMBER 4

A SHOT IN THE ARM FOR 6/49 WINNERS!



Shelly and Gino Pannucci, winners of over \$100,000.00

You just never know when good news is around the corner.

Shelly Pannucci told us she had just returned home from the doctor's office where her three-year-old son had been given his shots, when she discovered her financial situation had received a shot in the arm as well!

That's when she learned that her Lotto 6/49 numbers matched 5 out of 6 plus the bonus number to win \$107,595.20!

Shelly's mother and sister-in-law arrived moments later and had no idea what all the commotion was about. As Shelly recalls, "I was jumping around the room laughing and crying at the same time. I was so confused and excited that all I could say is that I won the lottery."

Next she phoned her husband Gino at work, but was so emotional she couldn't get her words out. A message went to Gino saying that "a hysterical woman" was on the phone for him! When the good news finally sank in he rushed home to celebrate.

When asked about their decision to play, Gino recalled that "a little voice" told him to enter. Now Shelly and Gino are listening to the voice that's telling them to build their dream home... and to keep playing Canadian Lotto 6/49!

RETIRED COUPLE WINS \$107,595.20

For Gord and Alice Hynes, persistence really paid off.

They'd been playing the same numbers for four years when out of the blue they matched 5 numbers plus the bonus to claim an identical prize to the Pannucci's. At \$107,595.20, their winnings certainly made the wait worthwhile!

Gord, a retired Air Force serviceman, and his wife Alice were overjoyed at the news. They lost no time in phoning family members, who "yelled and screamed" when they found out about the Canadian lottery prize.

With three children and three grandchildren, the celebrations were a lively event. But Alice was still wondering "can I really believe this?"

With their check in hand, the Hynes' really did believe it! After the big bank deposit they plan to sit back and decide how they'd like to spend it. They've always wanted to visit Europe and can now look forward to fulfilling that dream.

Congratulations!

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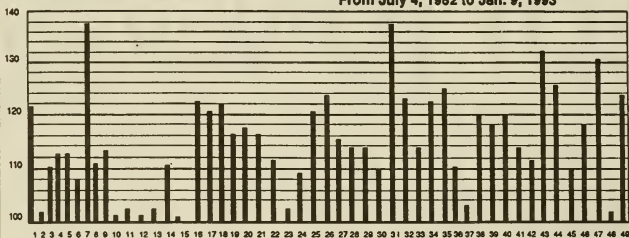
**MAKE A NEW YEAR'S RESOLUTION TO
BECOME A MULTI-MILLIONAIRE!**



Lotto 6/49

Number of times numbers drawn (excluding bonus numbers)

From July 4, 1982 to Jan. 9, 1993

**7 - NUMBER WHEEL • WHAT YOU WIN!**

NUMBER OF WINNING NUMBERS SHOWN ON YOUR CONFIRMATION	PRIZES YOU WIN
3	four prizes of \$10
4	four prizes of \$10 three 4 out of 6 prizes
5	two 4 out of 6 prizes two 5 out of 6 prizes
6 - bonus	two 4 out of 6 prizes one 5 out of 6 prize one 6 out of 6 - Bonus prize
7	one 5 out of 6 prizes one 6 out of 6 prize
8 - bonus	one 5 out of 6 - Bonus prize one 6 out of 6 prize

8 - NUMBER WHEEL • WHAT YOU WIN!

NUMBER OF WINNING NUMBERS SHOWN ON YOUR CONFIRMATION	PRIZES YOU WIN
3	ten prizes of \$10
4	sixteen prizes of \$10 six 4 out of 6 prizes
5	two prizes of \$10 three 5 out of 6 prizes
6 - bonus	two prizes of \$10 three 4 out of 6 prizes two 5 out of 6 prizes one 6 out of 6 - Bonus prize
7	three 4 out of 6 prizes two 5 out of 6 prizes one 6 out of 6 prize
8 - bonus	three 4 out of 6 prizes two 5 out of 6 prizes one 6 out of 6 - Bonus prize one 6 out of 6 prize

9 - NUMBER WHEEL • WHAT YOU WIN!

NUMBER OF WINNING NUMBERS SHOWN ON YOUR CONFIRMATION	PRIZES YOU WIN
3	twenty prizes of \$10
4	twenty prizes of \$10 ten 4 out of 6 prizes
5	ten prizes of \$10 ten 4 out of 6 prizes ten 5 out of 6 prizes
6 - bonus	ten prizes of \$10 ten 4 out of 6 prizes ten 5 out of 6 prizes one 6 out of 6 - Bonus prize
7	ten prizes of \$10 ten 4 out of 6 prizes ten 5 out of 6 prizes one 6 out of 6 prize
8 - bonus	ten prizes of \$10 ten 4 out of 6 prizes ten 5 out of 6 prizes one 6 out of 6 - Bonus prize one 6 out of 6 prize

WHAT'S IN A NUMBER**WHO PLAYS LOTTERIES?**

Of all the hobbies and pastimes enjoyed around the world, lotteries have the most universal appeal. People of all ages and all backgrounds share the same dream of becoming an instant millionaire. In fact most people have purchased at least one lottery ticket in their lives.

Studies have shown that, on average, lottery players have middle incomes and a level of education ranging from grade nine to the third year of college.

About equal numbers of women and men play lotto games, but men tend to spend more on tickets (this may be due to a higher disposable income).

Age doesn't seem to reflect participation levels either. Of any age group questioned, over 80% have been lifetime players.

A little over half the population are serious players who spend about \$300 a year on lotteries. There has been a tremendous increase in the number of participants, and today almost every country in the world offers lotteries of some form.

Perhaps the most appealing aspect of entering a lottery is that EVERYONE has a fair shot of winning. This is one instance where power and influence count for nothing. Lady Luck has no favorites...but the more you play, the better your chances of winning.

**START THE YEAR
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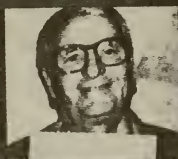
WINNING NUMBERS

Lotto 6/49

DATE	THE 6 WINNING NUMBERS WIN IN ANY ORDER							BONUS NUMBER	JACKPOT & OUT OF 6 EACH WINNING TICKET WINS	JACKPOT IN MILLIONS	5 OUT OF 6 - BONUS NUMBER EACH WINNING TICKET WINS	4 OUT OF 6 EACH WINNING TICKET WINS	3 OUT OF 6 EACH WINNING TICKET WINS \$10
													4 OUT OF 6 EACH WINNING TICKET WINS
Sept. 23, 1992	19	21	34	36	47	49	42	CARRIED OVER	\$10.0	\$131,273.80	\$2,067.30	\$71.70	
Sept. 28, 1992	16	17	20	21	29	35	41	\$6,002,325.70	\$18.0	\$137,684.20	\$2,326.10	\$73.10	
Sept. 30, 1992	14	35	40	43	46	47	11	CARRIED OVER	\$2.2	\$140,187.70	\$3,282.40	\$94.90	
Oct. 3, 1992	11	15	16	22	27	34	12	CARRIED OVER	\$6.0	\$132,453.30	\$1,744.20	\$58.90	
Oct. 7, 1992	8	17	25	26	38	42	14	\$3,583,605.90	\$11.0	\$94,606.50	\$1,518.00	\$54.30	
Oct. 10, 1992	8	12	22	39	40	44	17	CARRIED OVER	\$3.0	\$85,633.50	\$2,297.50	\$77.10	
Oct. 14, 1992	3	12	35	42	43	45	13	\$5,498,953.00	\$6.0	\$143,959.60	\$2,551.20	\$80.10	
Oct. 17, 1992	2	13	15	24	33	35	39	\$ 571,157.00	\$2.8	\$171,347.10	\$1,012.40	\$50.30	
Oct. 21, 1992	7	18	26	35	38	48	49	CARRIED OVER	\$2.2	\$89,980.10	\$1,548.00	\$56.20	
Oct. 24, 1992	11	22	25	33	42	49	28	\$5,814,954.40	\$5.8	\$146,377.80	\$1,871.50	\$60.80	
Oct. 28, 1992	3	11	13	15	20	39	32	\$2,441,386.80	\$2.4	\$104,630.80	\$2,170.10	\$67.30	
Oct. 31, 1992	22	28	29	30	36	47	16	\$3,021,704.60	\$3.0	\$151,085.20	\$3,021.70	\$92.50	
Nov. 4, 1992	12	14	19	26	40	42	3	\$2,434,014.00	\$2.4	\$146,040.80	\$2,384.30	\$62.80	
Nov. 7, 1992	8	9	14	38	42	49	41	\$1,440,900.60	\$2.8	\$86,454.00	\$2,461.30	\$80.00	
Nov. 11, 1992	12	19	28	31	41	47	16	\$1,141,063.30	\$2.2	\$68,463.80	\$1,869.30	\$65.80	
Nov. 14, 1992	2	6	7	8	30	37	47	\$2,648,145.30	\$2.6	\$132,407.20	\$2,011.20	\$60.50	
Nov. 18, 1992	3	7	11	29	45	48	8	CARRIED OVER	\$2.3	\$44,608.00	\$1,343.00	\$49.50	
Nov. 21, 1992	5	6	7	12	35	39	29	\$5,109,612.80	\$5.1	\$53,433.60	\$1,670.50	\$57.90	
Nov. 25, 1992	18	28	29	30	46	49	7	\$2,555,134.20	\$2.5	\$383,270.10	\$2,587.40	\$95.30	
Nov. 28, 1992	10	19	20	35	38	43	48	\$1,455,960.00	\$2.9	\$174,715.20	\$2,504.80	\$86.60	
Dec. 2, 1992	2	16	22	24	27	45	42	CARRIED OVER	\$2.3	\$94,642.60	\$1,468.10	\$57.00	
Dec. 5, 1992	3	21	23	41	43	46	1	\$2,709,967.50	\$5.4	\$34,410.10	\$1,780.10	\$68.80	
Dec. 9, 1992	1	5	10	16	44	45	23	\$2,237,501.80	\$2.2	\$134,250.10	\$1,858.10	\$68.00	
Dec. 12, 1992	15	18	29	30	37	47	44	\$927,754.00	\$2.7	\$119,282.60	\$3,180.80	\$93.00	
Dec. 16, 1992	2	11	32	33	48	49	3	CARRIED OVER	\$2.2	\$231,079.40	\$2,183.40	\$75.90	
Dec. 19, 1992	8	9	13	27	28	38	7	\$2,603,204.80	\$5.2	\$45,720.20	\$1,707.50	\$56.20	
Dec. 23, 1992	7	14	32	36	39	44	43	\$1,208,021.60	\$2.4	\$120,802.10	\$1,464.20	\$60.90	
Dec. 26, 1992	11	13	16	17	19	20	37	\$581,113.00	\$2.3	\$87,166.90	\$1,341.00	\$55.50	
Dec. 30, 1992	11	23	30	31	34	46	17	\$2,396,507.20	\$2.3	\$143,790.40	\$2,847.30	\$78.80	
Jan. 2, 1993	7	15	19	28	29	30	43	\$1,123,479.90	\$2.2	\$112,348.00	\$1,116.50	\$48.30	
Jan. 6, 1993	3	16	20	22	37	39	31	\$1,171,411.00	\$2.2	\$175,711.60	\$2,267.20	\$78.80	
Jan. 9, 1993	6	14	18	21	34	35	22	\$1,209,686.80	\$2.4	\$145,162.40	\$1,849.20	\$58.10	

In the event of a discrepancy between this list and the official winning numbers list, the latter shall prevail.

KENO PLAYERS RACK UP THE PRIZES
Congratulations to these lucky winners



Marc Paulin \$10,000.00



Sandra Grauman \$10,800.00



William Simson \$4,000.00



Kamol Kulsawatpakdee
 \$10,000.00

AUSTRALIANS ARE BIG LOTTO 6/49 FANS!

As clients of C.I.L., residents of the United States can enjoy the convenience of playing Canadian Lotto 6/49 through the mail, but an "Aussie" couple travelled all the way to Canada before they could buy their tickets.

Mike and Susan Allen were visiting some friends here in Vancouver who recommended our famous lottery, so they bought a Computer Pick at a local store. Then they left the ticket with their hosts, the Brodericks, while they headed off to spend the rest of their vacation in England and Wales.

The drawing took place - and much to the Brodericks' surprise, the ticket purchased by the Allens matched 5 out of 6 plus the bonus number to win \$77,202.50!

Tracking down the lucky couple wasn't easy, however. First they phoned Australia to ask the Allens' children how to find them. Then they contacted the Allens themselves in Wales and broke the good news, but Mike Allen thought it was a joke! It took a good deal of convincing before he accepted the fact that he was over seventy-five thousand dollars richer!

The Allens play lottery games in Australia but never had the success they experienced with Canadian Lotto 6/49.

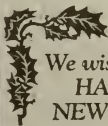
They're using the prize to pay off their home just outside of Sidney, sharing with their children - and coming back to Canada for another holiday.

Luckily, C.I.L. clients can play Lotto 6/49 without ever leaving home!

YOU ASKED US

- Q.** Why is the amount won shown on my statement different from the amount printed on my check?
- A.** The Canadian lottery is based on Canadian dollars, so that is what we show on your statement. For your convenience we convert prizes of \$1,000 or under into U.S. dollars at the current exchange rate - so you receive your winnings in your own currency. This is the ONLY reason for the difference in the two amounts; C.I.L. does not take commission or any other part of your winnings.
- Q.** I would like to watch the Canadian Lotto 6/49 drawings live on Satellite TV. Which station are they on, and when?
- A.** The program is called "Lotto Night in BC" and is televised live on BCTV Channel 11, at 6:49pm (Pacific time), Wednesday and Saturdays. If you phone your local TV station they can tell you which Satellite channel the show is received on in your area.

We welcome your questions. Please write to us at C.I.L. and address your letter to the News Editor.



We wish you a
**HAPPY
 NEW YEAR**
 and a
**PROSPEROUS
 1993!**

**CANADIAN
 INTERNATIONAL
 LOTTO AGENCY**
 Winning numbers line
 1-604-270-8402
 LOTTO 6/49 - Press 1
 KENO - Press 2
 GENERAL INFORMATION
 1-604-879-8995

CANADIAN INTERNATIONAL LOTTO AGENCY

SAVE ON YOUR LOTTO SUBSCRIPTION RENEWAL!

Your LOTTO 6/49 Subscription is coming to an end in a few weeks, and you can save money if you renew now. As a special incentive for early renewal, we are offering substantial discounts for LOTTO 6/49 Subscriptions, but you must renew before your current Subscription expires to take advantage of this offer.

You'll benefit in two ways. First, by renewing now you won't miss a single drawing, so if your lucky numbers come up, you'll be sure to win. Second, you'll save yourself some money as well. What could be better than that?

To renew you can either use the entry form on your renewal notice, or you can call us Toll-Free at 1-800-537-4477 if you have your credit card ready.

Remember, you pay the discounted price when you renew before your Subscription expires.

see other side for discounts—>

LOTTO 6/49 SUBSCRIPTION -- RENEWAL SAVINGS

	regular price	you save	when you renew you pay only
26 draws (13 weeks)	1 board	\$5	\$47
	2 boards	\$104	\$94
	3 boards	\$156	\$141
	4 boards	\$208	\$188
	5 boards	\$260	\$235
52 draws (26 weeks) <i>Includes 3 Free Draws</i>	1 board	\$98	\$88
	2 boards	\$196	\$176
	3 boards	\$294	\$264
	4 boards	\$392	\$352
	5 boards	\$490	\$440
104 draws (52 weeks) <i>Includes 6 Free Draws</i>	1 board	\$196	\$176
	2 boards	\$392	\$352
	3 boards	\$588	\$528
	4 boards	\$784	\$704
	5 boards	\$980	\$880

Please enclose this notice with your renewal form, as proof of discount eligibility.

**GUARANTEE
SERVICE**

\$Multi-Million Dollar Smiles

**IT COULD HAPPEN TO YOU TOO!
USE OUR SPECIAL LOTTO 6/49
FORM AND INCREASE YOUR
CHANCES TO WIN THE BIG ONE.**

The fabulous Canadian Lotto 6/49 game gets bigger and better. The jackpot starts at \$1.5 million. If it's not won, it goes up to a guaranteed \$5 million, then \$10 million, and keeps increasing until it is won. In fact, Canada holds the record for the world's largest single lump-sum tax-free jackpot — \$13.9 million dollars!

LOTTO 6/49 SUBSCRIPTION is fun and easy to play. All you do is pick your own six lucky numbers from 1 to 49 on each board you wish to play (you can play up to five boards at one time). Then you pick how long you want to keep your hand in. You can subscribe for 13, 26 or 52 week plans (at two draws every week, that's 26, 52 or 104 draws). If you match all six numbers on any board, you win the jackpot! And it's paid out tax-free in one giant payment! You can also win valuable cash prizes by matching 5, 4 or 3 correct numbers, and the odds are that sooner or later your numbers will come up.

WHEELING SYSTEMS are an exciting way to increase the number of times you can win on Lotto 6/49. When your numbers come up, you win over and over again! Here's how the systems work:
You choose a "wheel" consisting of your favorite 7, 8 or 9 lucky numbers. They are then entered into the official Lotto 6/49 computer which scientifically calculates every possible combination of those numbers. In this way you cover each draw in 7, 28 or 84 different ways (depending on the size of your wheel). If your numbers are among those drawn you win up to 84 times! That means you can take home the jackpot prize, PLUS prizes for matching 5, 4 and 3 numbers on each ticket!

Wheeling systems are changing the way lotteries are played all over the world! Try this mathematically-proven technique for multiple wins and multiple prizes!



**THESE PEOPLE
WON THE BIGGEST
SINGLE PAYOUT
IN LOTTERY
HISTORY!**

Irene and Al Kangas hit the Lotto 6/49 jackpot and took home a check for \$13,964,107.40! Join them in the winner's circle — play today!



Retired truck driver
Ken Goodwin won \$10 million!

JOIN THE WINNERS Hundreds of people are millionaires now, because they played the great Canadian Lotto games. Now you can join them too! Join Irene and Al Kangas, pictured above, who won one of the biggest lottery prizes ever when they played Lotto 6/49. Their jackpot win was \$13,964,107.40 tax-free dollars! Just by putting their winnings in the bank, the Kangases would receive over \$3,000.00 in interest every day!

There are hundreds and hundreds more winners like the Kangases. Every week more winning numbers are picked and every week more people become millionaires. People just like you!

So hurry! Enter your lucky numbers today using the Lotto 6/49 Entry Form on the reverse. The sooner you do, the sooner you can become a millionaire!

You could be the next multi-millionaire when you play the Canadian Lotteries!!

DETACH AND KEEP THIS PORTION FOR YOUR RECORDS

CANADIAN INTERNATIONAL LOTTO AGENCY

Your 7-Part Guarantee

1. You will receive "Confirmation" of your numbers and draw dates.
2. You will be entered in the full number of draws indicated on your order.
3. Each draw your numbers are checked by computer and all winnings are automatically credited to you.
4. Every 5 weeks we will send Subscription players a statement of winnings and a copy of "Canadian Lotto News" which contains the up to date drawing results.
5. All players will be sent a "Final Statement of Winnings" at the expiration of your subscription.
6. You will be notified immediately by telephone of all wins of \$500.00 or more so that we may receive instructions on payment.
7. We provide all services on a personalized and confidential basis.

CANADIAN INTERNATIONAL LOTTO AGENCY

New toll-free order line for credit card holders: 1-800-537-4477

OFFICIAL LOTTO 6/49 ENTRY FORM

LOTTO 6/49 SUBSCRIPTIONS

There are 5 boards below. On each board you wish to play, mark 6 numbers with a pen or pencil. Then choose a subscription plan on the right.

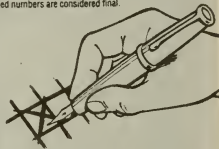
1	10	20	30	40	2	10	20	30	40	3	10	20	30	40	4	10	20	30	40	5	10	20	30	40
1	11	21	31	41	1	11	21	31	41	1	11	21	31	41	1	11	21	31	41	1	11	21	31	41
2	12	22	32	42	2	12	22	32	42	2	12	22	32	42	2	12	22	32	42	2	12	22	32	42
3	13	23	33	43	3	13	23	33	43	3	13	23	33	43	3	13	23	33	43	3	13	23	33	43
4	14	24	34	44	4	14	24	34	44	4	14	24	34	44	4	14	24	34	44	4	14	24	34	44
5	15	25	35	45	5	15	25	35	45	5	15	25	35	45	5	15	25	35	45	5	15	25	35	45
6	16	26	36	46	6	16	26	36	46	6	16	26	36	46	6	16	26	36	46	6	16	26	36	46
7	17	27	37	47	7	17	27	37	47	7	17	27	37	47	7	17	27	37	47	7	17	27	37	47
8	18	28	38	48	8	18	28	38	48	8	18	28	38	48	8	18	28	38	48	8	18	28	38	48
9	19	29	39	49	9	19	29	39	49	9	19	29	39	49	9	19	29	39	49	9	19	29	39	49

In the event of a discrepancy between the numbers selected here and the numbers on your confirmation, the confirmed numbers are considered final.

LOTTO 6/49 WHEELS

Mark 7, 8 or 9 numbers on the board at right to make a 7, 8 or 9 number wheel. Then choose a wheeling plan below.

	1	2	3	4	5	6	7	8	9
10	11	12	13	14	15	16	17	18	19
20	21	22	23	24	25	26	27	28	29
30	31	32	33	34	35	36	37	38	39
40	41	42	43	44	45	46	47	48	49



See reverse for details on each method of play.

7-NUMBER WHEELING PLAN

(7 COMBINATIONS)
Check one box

- Play 4 draws for \$56
 Play 8 draws for \$112

Play 8 draws and get one extra draw free!

8-NUMBER WHEELING PLAN

(28 COMBINATIONS)
Check one box

- Play 4 draws for \$224
 Play 8 draws for \$448

Play 8 draws and get one extra draw free!

9-NUMBER WHEELING PLAN

(84 COMBINATIONS)
Check one box

- Play 4 draws for \$672
 Play 8 draws for \$1344

Play 8 draws and get one extra draw free!

Client Account Number

Mr/Mrs _____
Ms/Miss _____

Address _____

City _____ State _____

Zip Phone ()

Please make payment in U.S. Dollars to C.I.L. AGENCY and mail in the envelope provided.

Payment By: Check/Money Order Visa MasterCard
 Diners Club American Express

Credit Card Number:

Signature _____
Expiry Date _____

Entry Receipt

(Subject to confirmation)

REGISTERED TO:

Name _____
Address _____
Account Number _____

METHOD OF PAYMENT:

- Check/Money Order Visa MasterCard
 Diners Club American Express

Amount Paid Date Mailed

LOTTO 6/49 SUBSCRIPTION NUMBERS

Board 1

Board 2

Board 3

Board 4

Board 5

SUBSCRIPTION PLAN PICKED

- 26 Draws (13 weeks) 104 Draws (52 weeks)
 52 Draws (26 weeks)

LOTTO 6/49 WHEELS

7 NUMBERS

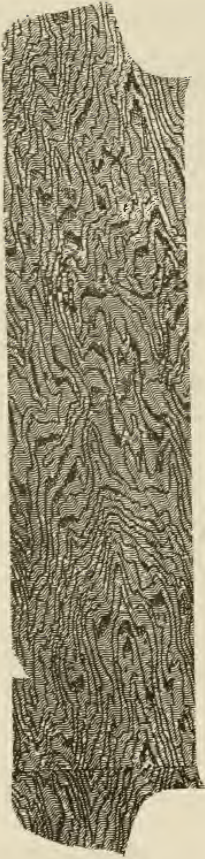
8 NUMBERS

9 NUMBERS

WHEELING PLAN PICKED

7 Numbers - 4 Draws 8 Draws
8 Numbers - 4 Draws 8 Draws
9 Numbers - 4 Draws 8 Draws

CANADIAN INTERNATIONAL LOTTO AGENCY
Questions? Call: 1-604-879-8995 Fax: 1-604-879-5942



YOU A MULTI-MILLIONAIRE?
Why Not?

**INTERCONTINENTAL
MILLIONAIRE'S CLUB**

Devolver/Return
Apartado 2176
Zone 1, Panama
Panama Republic

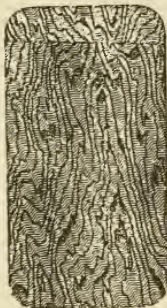
Porto Pagado
Port Paye
P.P. No. 38/81
Panama
Rep. De Panama

DISCOVER A GUARANTEED WAY TO

TURN \$24 INTO \$20,000,000 OR MORE!

(Exciting details inside. . .)

**RUSH
RUSH
RUSH**



PLACE
40¢
STAMP
HERE


INTERCONTINENTAL
MILLIONAIRE'S CLUB
141-6200 McKay Ave., Suite 935
Burnaby, BC V5H 4M9
CANADA

RUSH

1000

INTERCONTINENTAL MILLIONAIRE'S CLUB

3336 Harrison Ave. Suite 213, Butte, MT 59701-3544



You A Multi-millionaire? Why not?

You are invited to join the *INTERNATIONAL MILLIONAIRE'S CLUB*. For a \$24 annual membership fee, you will be privvy to exclusive winner's secrets that can help make you a millionaire 10 times over. Discover how to beat the odds by picking winners again and again. Details below...

Dear Multi-Millionaire-To-Be:

Sound's good, doesn't it? Multi-millionaire-to-be! But, if you don't think it can happen to you, please think again. Because the only thing holding you back from realizing your dream of true financial independence may be that you don't yet have a winning attitude. To be a winner, you have to think and act like a winner. And to be a loser? Well, let's face it: losers tend to be dreamers, not doers.

In fact, roughly 9 out of 10 people will probably pass up this sensational offer and remain just that: dreamers. The other 1 in 10 - the smart ones (and I hope you'll be among them) - will say "yes" to some of the most valuable big winner's advice they can ever hope to receive in their lifetimes.

DISCOVER HOW TO BEAT THE ODDS AND WIN AGAIN AND AGAIN!

Find out the best day of the month to buy "scratch and win" lottery tickets. Learn what numbers to pick to increase your chances of winning. Discover how to play with less money and win more! Find out how to enter hundreds of prize draws, contests sweepstakes - **AND WIN** - for the price of a single postage stamp. Learn the never-told-before secrets of giant jackpot prize winners...and much, much more!

You could expect to pay hundreds, even thousands of dollars and more for

(Please see over. . .)

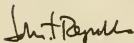
the guaranteed winner's advice you get as an exclusive member of the Intercontinental Millionaire's Club. But, if you act now, it's all yours for only \$24 when you become a member for one-year. . . \$41 for two years . . . or \$58 for three whole years!

Complete and return your enclosed Enrollment Form today and we will rush you your Intercontinental Millionaire's Club Membership Kit containing all these wonderful money-making tools:

1. Your personalized "Multi-Millionaire's Record Charts" to record your daily, weekly, monthly and yearly winnings.
2. Your personal Intercontinental Millionaire's Club Membership Card entitling you to ongoing special privileges, including exclusive discounts and advance notices on future Intercontinental offers.
3. A special Millionaire's Investment Hotline Telephone number. Call as often as you like to discover late-breaking winner's news that you won't find anywhere else*. A new message appears every week.

If making big money and eliminating burdensome debt is important to you. . .if you're tired of working harder and harder each year, only to see the money you make get eaten up by taxes and inflation. . .if you want to discover how to win millions the way the big winners do. . .then please - I urge you - COMPLETE AND RETURN THE ENCLOSED ENROLLMENT FORM today! As soon as we receive it, we'll rush your Membership Kit to you so that you can start cashing in immediately.

Sincerely yours,



John T. Reynolds

For Intercontinental Millionaire's Club

P.S. Don't wait a moment longer to take advantage of this winning offer. For the price of a couple of lottery tickets, we GUARANTEE to show you how to win up to \$10,000,000 or we'll refund your annual membership fee in full.

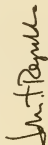
SPECIAL BONUS: Each and every month, during your membership, Intercontinental Millionaire's Club will automatically enter your name in the Lottery of the Month with guaranteed jackpot payoffs of up to \$20,000,000.00 and more! You don't have to do a thing to enter after you become a member, except sign your winner's check when your winning number comes up.

* A nominal charge will be added to your phone bill for each call.

100% MONEY- BACK GUARANTEE

We hereby guarantee to share our winning wealth-building advice with you when you join the **INTERCONTINENTAL MILLIONAIRE'S CLUB**. And we promise to help you amass personal winnings of up to **\$20,000,000** or more.

If you are not 100% satisfied with your membership in the **Intercontinental Millionaire's Club** — you may cancel at any time and receive a full refund of your annual membership fee. No questions asked.



John T. Reynolds

* FOR INTERCONTINENTAL MILLIONAIRE'S CLUB®

**AUTOMATIC
ACCEPTANCE**

INTERCONTINENTAL MILLIONAIRE'S CLUB

MEMBERSHIP ENROLLMENT FORM

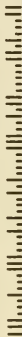
CLIP AND MAIL TO: P. O. BOX 3033, VANCOUVER, BC, V6B 3X5 CANADA

YES! I would like to win up to \$20,000,000.00 or more!

Please enroll me in the **INTERCONTINENTAL MILLIONAIRE'S CLUB** and send me my Membership Kit, including: my personal Millionaire Membership Card and Millionaire Hotline Telephone number. Also please see to it that my name is automatically entered in every Lottery of the Month selected by the Intercontinental Millionaire's Club during the term of my membership.

6500283010-0 B00090

David Gerity
160 Bergen Street
Woodbridge, NJ 07095-1803



Please Check (N) One:

12 Months: \$24.00 24 Months: \$41.00 36 Months: \$58.00
MLC901 MLC902 MLC903

PLEASE ADD \$2.00 FOR SUPER FAST PROCESSING!

My check/money order is enclosed in the amount of: \$ _____

(Please make check payable to: **INTERCONTINENTAL MILLIONAIRE'S CLUB**)

Detach here and mail in the reply envelope today!

6 GOOD REASONS TO JOIN

THE INTERCONTINENTAL MILLIONAIRE'S CLUB

1. You will receive **winning secrets** from leading experts in the winning game: **lottologists** as well as **contests** and **sweepstakes** and **prize draw specialists**. . . Plus valuable information from other big money-making fields -- secrets which can help you win up to \$20,000,000 and more. **Guaranteed!**
2. We'll show you **how to beat the odds** and win over and over again, including: **lotteries**, **contests**, **sweepstakes**...and **prize draws**....Plus we'll tell you **how to become a TV game show contestant** and **improve your chances of winning**, and **much, much more!**
3. You will enjoy access to a special millionaire telephone hotline* which will keep you updated weekly with valuable winner's information you won't find elsewhere.
4. It costs just \$24 for a one-year membership in the Club...\$41 for two years and just \$58 for 3 years.
5. Your complete satisfaction is guaranteed. You may cancel your membership at any time and request a refund of your annual membership fee.
6. The best reason of all: you could be well on your way to becoming a millionaire ten times over and we tell you and show you how easy it is to do it.

* A nominal charge will be added to your phone bill for each call.

SPECIAL BONUS:

Each and every month, during your membership, **INTERCONTINENTAL MILLIONAIRE'S CLUB** will automatically enter your name in the Lottery of the Month with guaranteed jackpot payoffs of up to \$20,000,000.00 and more! You don't have to do a thing to enter after you become a member, except sign your winner's check when your winning number comes up.

FROM _____

ZIP _____

➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL
MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL

POSTAGE TO AUSTRALIA IS 50¢



Order Processing Center
Private Mail Bag 4010
Fortitude Valley 4006
Australia

➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL
MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL ➤ AIR MAIL



Australian International Lottery Federation

Order Processing Center: Private Mail Bag 4010, Fortitude Valley 4006, Australia.
Telephone: 011-61-7-229-6097 Fax: 011-61-7-221-7766
Toll-free line for credit card orders: 1-800-392-7586

David P Gerity
160 Bergen Street
Woodbridge, NJ
07095

5J-9205



Dear David P Gerity,

If you want to win **BIG** lottery prizes,
If you want the **BEST** return on your lottery dollar,
If you want a game that's **FAIR** to the players...

Then don't miss this chance to subscribe to the greatest lottery in the world - Australian Lotto 6/45!

The Australian International Lottery Federation (A.I.L.F.) has put together a special Subscription package to give you the best chance of hitting the big one. Now you can play for up to \$300 million dollars. And you keep **ALL** the money you win!

Did you know that the Aussie Lotto has better odds than many other games? In fact, it's one of America's favourite international lotteries. Read these comments and you'll see why:

"The Australians give back 60% of the ticket sales in prizes. That's a third more than my own state lottery. With Aussie 6/45 there's so much more to win."

That in itself is an important benefit. Here's another:

"I like the fact that there's two bonus numbers. It's kinda like getting two extra chances to win. You know, if you don't get all the main numbers, you still get two more chances on the bonus numbers. I've won twice this way."

This gentleman got straight to the point:

"I like the \$14 million lump-sum jackpots. No waiting."

▼ DETACH ALONG DOTTED LINE ▼

(see over)

Australian Lotto 6/45 Subscription Form

YES - I want to win millions of dollars in Australian Lotto 6/45! Enter me in consecutive drawings for.

(CHECK ONE PLAN BELOW)

5J-9205

David P Gerity
160 Bergen Street
Woodbridge, NJ
07095

Choose 6 numbers below and mark each one with an 'X'.

1	2	3	4	5	6	7	8	9
10	11	12	13	14	15	16	17	18



You'll probably relate to the following comment as well -

"No Australian taxes are taken off your winnings. That's how all lotteries should be!"

And another thing you should know...A.I.L.F. keeps your wins completely confidential. We don't tell the tax-man, the government or anyone else. When you win, you receive a check for the whole amount, payable to you and only you. There are no installments, no delays.

That check could be for millions and millions of dollars! You've probably already planned how you're going to spend all that money. Now I want you to start thinking about how you're going to WIN IT!

A.I.L.F. offers a choice of three Aussie 6/45 Subscription plans to suit your lottery budget. You can play for 10, 20, or 30 consecutive weeks. As part of this special offer, you'll also get free bonus drawings PLUS free entry into our exclusive Australian Vacation Sweepstakes. Here's what to do:

Take These 3 Steps And Win Yourself A Fortune

1. Check (✓) one Subscription plan on the attached form. Then peel off the Gold label from the enclosed brochure and affix next to your plan. This qualifies you for the Sweepstakes.
2. Select 6 numbers and mark them on the board.
3. Complete payment details and mail your Subscription form in the envelope provided.

As soon as we receive your Subscription, we'll rush you a printed confirmation of your numbers. After every drawing, our computer will double-check your entry for wins. We'll send you regular lists of draw results and phone you immediately every time you win a large prize. Most importantly, your winnings will be paid to you PROMPTLY, in U.S. Dollars.

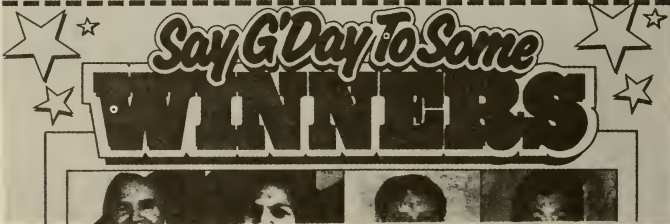
The sooner you subscribe, the sooner you can enjoy the good life! With millions of dollars in prizes, lump-sum payouts, complete confidentiality and hassle-free service - A.I.L.F. gives you the best lottery deal around!

Read our Unconditional Guarantee - we stand by it!

Yours sincerely,

Brian Ramsey
President and Founder, A.I.L.F.

P.S. To qualify to win a first-class trip for two to Australia, you must mail your Subscription form within 14 days. You'll find full details in the enclosed brochure. We look forward to receiving your entry and wish you good luck!



every drawing so you get even more chances to win a prize!

MORE MONEY TO WIN!

Some games pay out only 45% or 50% of the prize pool and the government keeps the rest. But the Aussies always play fair - that's why they give a full 60% of the prize pool back to you the player. That's almost a third more money! Australian Lotto 6/45 costs less to play than many other international lotteries, too. And the jackpots are HUGE...you could win up to \$14 million, awarded to you in a single, lump-sum payment! No taxes deducted, no publicity, no delays. You're free to start enjoying your money straight away.

SUBSCRIBE TODAY AND START CASHING IN!

Australian Lotto 6/45 is drawn every week on Saturday. You can subscribe for 10, 20 or 30 consecutive weeks, with average prize pools of over nine million dollars. That adds up to more than \$300,000,000.00! Just pick 6 numbers on the enclosed Subscription form and mail with payment to: A.I.L.F. Order Processing Center, Private Mail Bag 4010, Fortitude Valley 4006, Australia.

SPECIAL SWEEPS FOR A.I.L.F. PLAYERS

WIN A SUPERB VACATION FOR TWO IN SUNNY AUSTRALIA OR \$5,000.00 CASH!

Visit the land down under for an experience you'll never forget! Cuddle a Koala, feed a Kangaroo, visit Crocodile Dundee country - one of the world's last frontiers, or just relax on Bondi Beach and work up an appetite for some of the best seafood in the world! Your flights, accommodation and sightseeing tours are compliments of A.I.L.F.

HOW TO QUALIFY:

Peel off gold label and affix beside your preferred Subscription plan on the enclosed Australian Lotto 6/45 entry form. Mail within 14 days and you're eligible to win!

Australia
International
Lottery
Federation

SL/00-97V 280-1-0

Now you can play for up to
\$300 MILLION
IN TOTAL PRIZE MONEY

Say G'day to a multi million dollar fortune!

Australian Lotto 6/45 is the ONLY lottery to play if you're serious about winning. It gives you better odds than many other lotto games because there are only 45 numbers to choose from. (It's easier to match 6 out of 45 than 6 out of 49 or 54.) There are also TWO bonus numbers in every drawing - so you get even more chances to claim a prize!

MORE MONEY TO WIN!

Some games pay out only 45% or 50% of the prize pool and the government keeps the rest. But the Aussies always play fair - that's why they give a full 60% of the prize pool back to you the player. That's almost a third more money! Australian Lotto 6/45 costs less to play than many other international lotteries, too. And the jackpots are HUGE...you could win up to \$14 million, awarded to you in a single, lump-sum payment! No taxes deducted, no publicity, no delays. You're free to start enjoying your money straight away.

**SUBSCRIBE TODAY AND
 START CASHING IN!**

Australian Lotto 6/45 is drawn every week on Saturday. You can subscribe for 10, 20 or 30 consecutive weeks, with average prize pools of over nine million dollars. That adds



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Australian International Lottery Federation

Unconditional Guarantee

As a registered and established lottery organization, A.I.L.F. upholds a strict code of honor and integrity in every aspect of our service to the public.

WE GUARANTEE

- 1.** Your entry is immediately confirmed and processed, so you can start winning as soon as possible.
- 2.** You will receive regular lists of official winning numbers covering your Subscription. Our lottery databank also tracks your drawings and automatically calculates your total prize money.
- 3.** All prizes are paid to you in a lump sum and mailed directly to you. (If you win the jackpot, we'll fly you to Australia to collect.)
- 4.** No Australian taxes are deducted from your winnings. You receive the full value of every prize.
- 5.** We keep customer information strictly confidential. Photographs and comments are only used with the expressed permission of winners.



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Dear Lotto Player,

If you haven't yet decided to enter Australian Lotto 645, remember these three important facts:

1. The odds of winning Aussie Lotto 6/45 are better than:

- | | |
|--------------------------------------|---|
| ✓ Pick 6 in New Jersey | ✓ Lotto 47 in Michigan |
| ✓ California Lotto | ✓ Super Lotto in Ohio |
| ✓ New York Lotto | ✓ The Missouri Lotto |
| ✓ Lotto America | ✓ The Illinois Lottery |
| ✓ Wild Card Lotto
in Pennsylvania | ✓ Lotto 6/49 in Florida, Maryland,
Massachusetts, and Washington |

2. Most U.S. lotteries have no bonus number (only five states do have one). In comparison, Australian Lotto 645 has TWO bonus numbers.

3. Australian Lotto 645 gives back up to one third more money to players. In our opinion, this makes it a superior lotto game.

Just something to think about....

John Chambers

John Chambers, BCom, MBA, C.P.A.
International Lottery Consultant



Read this message
from an International
Lottery Consultant

Miss COLLINS. Ms. Peg Mullen representing the testimony of Myra Silbert.

Ms. MULLEN. Madam Chairman, thank you for this opportunity to appear. My name is Margaret Mullen and I'm reporting for Myra Silbert. Myra is 80 years old and it's her husband, Dr. Sidney Silbert, who has been victimized by operators of sweepstakes.

Beginning in March 1992 through January 1993, her husband wrote checks to numerous sweepstakes companies. The amount total exceeded \$18,000. In some cases, as many as six or seven checks were written to the same company on the same day. It is impossible for her to tell you all the distressing details of the various sweepstakes. However, one sweepstakes prize comes to mind. It was \$100 prize coupon awarded towards the purchase of a camera for which he had to send an additional \$61 to receive the camera that was allegedly valued at \$169. To her dismay, it was shipped directly from Japan and he had to pay an additional \$11.20 duty at the post office before he received the prize. Once he received the camera, it was clearly visible that this was not worth \$169.00 and barely worth \$19.00.

In addition, he had received cheap zircon diamonds on incredibly thin chains for \$49.

To date her husband has written 810 checks—we have them here—totaling \$18,000. To one company alone he wrote 155 checks totaling more than \$4,000.

She's directing her plea to you in the hopes that a way will be found to halt these ever growing scams directed at the elderly who have become victims because of delusions of grandeur or whatever. She'll be happy to answer any questions you may have in the future. At the present moment, she's at St. Barnham's Hospital because of emphysema.

[The prepared statement of Ms. Silbert:]

PREPARED STATEMENT OF MYRA SILBERT, NEW JERSEY CONSUMER AFFAIRS FOR
VICTIMS OF MAIL FRAUD

Thank you for this opportunity. My name is Myra Silbert. My husband Sidney Silbert has been victimized by operators of sweepstakes.

Beginning in March 1992, through January 1993 my husband wrote checks to numerous sweepstakes companies. The amount total exceeded \$18,000. In some cases as many as six or seven checks were written to the same company on the same day.

It is impossible for me to tell you all the distressing details of the various sweepstakes, however one Sweepstakes Prize comes to mind. It was a \$100.00 prize coupon awarded towards the purchase of a camera, for which he had to send an additional \$61.00 to receive a camera valued at \$169.00. To my dismay it was shipped directly from Japan and he had to pay an additional \$11.20 duty at the Post Office before he received this prize. Once he received the camera, it was clearly visible that this was not worth \$169.00.

In addition he has received cheap Zircon Diamonds on incredibly thin chains for \$49.00.

To date my husband has written 810 checks totaling \$18,000 to one company alone then wrote 155 checks totalling more than \$4,000.

I am directing my plea to you in the hopes that a way will be found to halt these ever growing scams directed at the elderly who have become victims because of delusions of grandeur. I will be happy to answer any questions.

Miss COLLINS. She's in the hospital right now?

Ms. MULLEN. She's in the hospital.

Miss COLLINS. Her husband is how old?

Ms. MULLEN. Eighty-five-years old. He's a dentist.

Miss COLLINS. He wrote over 900 checks. There was no one in his family that could monitor or that was aware of what was going on?

Ms. MULLEN. When I asked his wife, it seems that all through their married life, 60 years, they've had a unique relationship. He simply wrote checks. He never recorded them in a register. She anticipated his needs and always made sure that there was enough money in the checking account to cover the checks. That's how she became aware of the problem was because she was notified by the bank that there were checks being bounced all over the place.

Miss COLLINS. I see. Did your office file complaints with the Federal agencies?

Ms. MULLEN. No. As a matter of fact, we had contacted one postal inspector and he indicated an interest and we did send him copies of some of the solicitations. We also have sent out cease and desist orders to 11 States to companies in 11 States.

Miss COLLINS. Did they cease?

Ms. MULLEN. Six of them entered into the cease and desist orders and have refunded consumers. The one company that he wrote 155 checks to, he did receive a check for \$4,852.

Miss COLLINS. Was that because of your office?

Ms. MULLEN. Yes, ma'am.

Miss COLLINS. If he had written on his own, would he have received it, do you think?

Ms. MULLEN. That I can't tell you.

Miss COLLINS. What about the shipment from Japan? Was that through an American company?

Ms. MULLEN. There was no indication that you were dealing with a Japanese company. It was a sweepstakes. I believe that was the Cash and Carry Sweepstakes and that national promotion comes out in Nevada.

Miss COLLINS. Out of Nevada?

Ms. MULLEN. Nevada. We can match up the solicitation and the prize, if that's of any interest to you.

Miss COLLINS. I imagine that's similar to the person who had a room full of prizes.

Ms. MULLEN. Yes.

Ms. BYRNE. Yes. Absolutely. We'd be happy to give you the profile of that activity.

Miss COLLINS. All right. Thank you. I'd like to put that in the record. Enter that into the record.

Ms. Wenona Russo, a victim of mail fraud from Flemington, NJ.

Ms. RUSSO. Thank you, Madam Chairman. Thank you for this opportunity to testify. I am here to let you know what happened to me. My name is Wenona Russo. My participation in various sweepstakes and promotions has resulted in my losing over \$235,000 in the last 3 years.

Let me tell you about one such promotion. A company contacted me by telephone in September 1992 telling me I had won \$1 million, but first I had to send a check of \$14,600 to purchase products to prove that I was their customer. The only prizes I received were two Oleg Cassini watches which had a \$195 sticker on each box and a Windmere Air Filter worth about \$100.

I also signed a prize release form stating I would accept a big-screen television and an oriental rug. I received a 20" television and 4 x 6 oriental rug.

These people promised a chance to win big money by participating in their promotions and I was deceived. I get mail and I still get mail in boxes like that but now some of it is thrown away at the post office and I get about this much in the bottom. Before, I used to get one just like that regularly every day.

It's my hope that my testifying will in some way prevent others, particularly apparently the elderly, from becoming victims of unscrupulous sweepstakes operators. I'm willing to answer any questions that you have.

[The prepared statement of Ms. Russo follows:]

PREPARED STATEMENT OF WENONA RUSSO, VICTIM OF MAIL FRAUD

Thank you for the opportunity to testify. I am here to let you know what happened to me. My name is Wenona Russo. My participation in various sweepstakes and promotions has resulted in my losing over \$200,000 in one year.

Let me tell you about one such promotion. A company contacted me by telephone in September of 1992 telling me I had won a million dollars, but first I had to send a check for \$14,600 to purchase products.

The only prize I received were two Oleg Cassini watches which had a \$195 sticker on each box and a Windmere Air Filter worth about \$100.

I also signed a prize release form stating I would accept a big screen television and an oriental rug.

These people promised a chance to win big money by participating in their promotions. Alas, I was deceived.

It is my hope that my testifying will, in some way, prevent others, particularly the elderly, from becoming victims of unscrupulous sweepstakes operators. I am willing to answer any of your questions.

Miss COLLINS. Ms. Russo, why does the post office throw away most of the mail now? Was it at your request?

Ms. RUSSO. No. One of my daughters went up.

Miss COLLINS. So it was at her request then?

Ms. RUSSO. Yes.

Miss COLLINS. What prompted you to continue to participate in the sweepstakes after your initial experience?

Ms. RUSSO. Well, I participated because my husband was quite ill and I stayed home to take care of him and you have to do something and these things were sort of interesting so I did it and I lost the register from my checkbook so I didn't really realize how much I was spending.

Miss COLLINS. They're exciting, aren't they? The letters they send you are so exciting telling you, you won.

Ms. RUSSO. I just thought they were interesting and it gave me something to do. You can't read a story because you're interrupted too much, but you can do these contests that they send. And the money that I spent was money that I had inherited so it was sort of gift money going out.

Miss COLLINS. Did the company that telephoned you saying you had won \$1 million indicate how soon after sending the check for \$14,600 you would be receiving the million?

Ms. RUSSO. I didn't receive anything afterward.

Miss COLLINS. But did they tell you how soon? Did they mention when you—

Ms. RUSSO. No. They said as soon as they got the check it would come out and many of these others also say if you send back so

much money, you will immediately get it, and you don't ever see it.

Miss COLLINS. Did you ever try to stop payment on the checks?

Ms. RUSSO. No, I didn't because, as I say, I was confined at home during that time. I had to have—to have somebody come in later to stay with my husband to just go to the grocery store.

Miss COLLINS. Did you or your daughter contact the U.S. Postal Inspectors?

Ms. RUSSO. No, I don't think so. I'm not sure whether they did or not.

Miss COLLINS. So then no complaint has been filed against those companies as yet. Is that right?

Ms. RUSSO. No. I haven't started.

Miss COLLINS. Thank you very, very much.

Ms. RUSSO. I didn't know I could do that.

Miss COLLINS. Pardon me?

Ms. RUSSO. I didn't know I could do that.

Miss COLLINS. So, as far as you know, they're still operating.

Ms. RUSSO. Yes, I still get some. In fact, these are dated 3-30-93, 3-27, 3-27 and 4-26 and they look just like the ones in that box. I have a set of bookcases that are about 4' high and I would say 12-15' long filled with those in one room.

Miss COLLINS. Is that right?

Ms. RUSSO. Because maybe I need something for proof sometime. I think I'll give them to the department of consumer protection in New Jersey.

Miss COLLINS. Thank you very much.

Ms. RUSSO. Thank you.

Miss COLLINS. Mr. Eric Friedman, investigator for Montgomery County Consumer Affairs.

Mr. FRIEDMAN. Thank you, Madam Chair. My name is Eric Friedman. I'm an investigator and an attorney with the Montgomery County Government Office of Consumer Affairs. I'm pleased today to testify on behalf of Barbara Gregg, the director of our office, before the House of Representatives Subcommittee on Postal Operations and Services.

Our office receives many complaints each year from consumers who've been victimized by fraud and deception through the U.S. Postal System. As a local office, we have the extremely difficult task of both attempting to terminate such fraudulent practices and attempting to obtain restitution for consumers.

Our experience over the last 21 years has clearly taught us two things in this regard. First, it is a markedly better allocation of scarce resources to concentrate on preventing deception and fraudulent marketers from entering the consumer marketplace than it is to try to get money back for consumers who've been victimized. Second, the best strategy for attacking the problem is to focus scarce prevention resources on the few enabling root causes rather than the multitude of boiler room operators. Examples of such enabling root causes are: the postal system, credit card companies, telephone companies, printing and mailing operations.

These otherwise legitimate institutions are all, to one degree or another, wittingly or unwittingly, part of the problem. They are receiving substantial amounts of financial compensation from the

very merchants who are proliferating fraud and deception. In fact, fraudulent marketers would be extremely hard pressed to continue to operate if not for the assistance of these legitimate institutions. The financially rewarding symbiotic relationship which presently exists between these institutions and marketers engaged in fraud and deception must come to an end. These institutions must become part of the solution rather than continue to remain on the sidelines as if they are no more than disinterested on-lookers.

My message today is to urge the subcommittee to direct those agencies with regulatory authority to aggressively use all available avenues to prevent the U.S. Postal System from being used for fraud and deception. The following five suggestions are respectfully submitted.

First, increase use of the fraud injunction statute. An effective enforcement tool already exists by which fraudulent mailings can be easily stopped before consumers are victimized. Under this statute, mailing of clearly fraudulent material can be enjoined at the time they are brought to a post office bulk mail processing unit. The U.S. attorney need only show that there is probable cause that the marketer is about to engage in a fraudulent scheme. The frequency of enforcing this statute must be dramatically increased and any enforcement action should broadly be publicized.

Second, establish mechanisms to identify fraudulent marketers. Current procedures used by the post office do not enable consumer protection regulatory agencies to quickly identify a deceptive marketer. The bulk mail stamp or permit number on a mailing does not necessarily identify the person responsible for mailing the material. A bulk mail permit number is typically issued to a mailing house which does mailings for hundreds of different merchants. Our investigative capabilities would be greatly enhanced if the actual source of the mailing, the individual marketer, could be readily obtained from the post office records or receipts.

Third, enable the post office to respond to court orders. Currently, the post office does not have an effective mechanism that enables its bulk mail receiving units to swiftly respond to court orders prohibiting a deceptive marketer from mailing into certain areas. To cite a recent example, two States obtained court orders enjoining a fraudulent marketer in Texas from mailing into their State. However, the bulk mail receiving post office in Texas had no procedure to flag those enjoined zip codes in order to effectively enforce the court orders. This problem existed despite the fact that the post office required the mailer to sort the mail by zip code. It is imperative that a comprehensive mechanism by which such mailings can be flagged be established as soon as possible.

Fourth, require credit card companies and telephone companies to effectively screen merchants primarily engaged in mail solicitations before they grant vendor status. Fraudulent marketers typically use the postal system to initiate contact with consumers by sending direct mail solicitations. Much of the money obtained by these marketers is received via credit card or through a pay-per-call—900—telephone arrangement. Consequently, credit card companies and telephone companies should be required to take adequate steps to insure the legitimacy of such businesses before they

enter into contractual arrangements to collect moneys from consumers on behalf of these merchants.

And finally, fifth, prohibit commercial mail firms from allowing merchant subscribers to misrepresent their mail drop as a suite or office. A merchant's return address can provide consumers with information upon which consumers rely in determining if the merchant is a legitimate business. Some deceptive marketers have rented mailboxes at commercial mail drop firms and misrepresented their address as a suite or office on a well known street when, in fact, it is nothing more than a mailbox. Montgomery County has solicited agreements with major commercial mailbox firms to prohibit this practice. Such a prohibition should be done nationwide. Private mailbox firms should not allow merchants to do that which the U.S. post office would prohibit them from doing if they rented a post office box.

In reviewing these recommendations, one overriding principle should remain paramount. Prevention resources should be allocated in such a way that they serve to solve the problem in the most cost effective manner. Clearly, focusing on the entry way to the postal system as well as the points where the marketers are granted access to legitimate collection mechanisms—credit cards, telephone, electronic debiting of checking accounts—is much more cost effective than having many consumer protection agencies attempt to solve the problem at the other end. Such after the fact law enforcement activity, despite significant and longstanding efforts by numerous governmental agencies, has not resulted in the American public being adequately protected from the high cost of mail fraud. It is time for Congress to take the lead and bring about a systemic change in the way mail fraud is viewed and in the nature of the enforcement tools used to present it.

Thank you.

[The prepared statement of Mr. Friedman follows:]

PREPARED STATEMENT OF ERIC S. FRIEDMAN, INVESTIGATOR, MONTGOMERY COUNTY
CONSUMER AFFAIRS

Good morning. My name is Eric Friedman and I am an Investigator and attorney with the Montgomery County Government Office of Consumer Affairs. I am pleased today to testify before the House of Representatives Subcommittee on Postal Operations and Services.

Our Office receives many complaints each year from consumers who have been victimized by fraud or deception through the U.S. mail system. As a local Office we have the extremely difficult task of both attempting to terminate such fraudulent practices and attempting to obtain restitution for consumers.

Our experience over the last 21 years has clearly taught us two things in this regard. First, it is a markedly better allocation of scarce resources to concentrate on preventing deceptive and fraudulent marketers from entering the consumer marketplace than it is to try to get money back for consumers who have been victimized. Secondly, the best strategy for attacking the problem is to focus scarce prevention resources on the few enabling root causes rather than on the multitude of boiler-room operators. Examples of such enabling root causes are: the postal system, credit card companies, telephone companies and printing/ mailing operations. The concentration of prevention resources on these enabling root causes will maximize the effectiveness of our efforts.

These otherwise legitimate institutions are all, to one degree or another, wittingly or unwittingly, part of the problem. They are receiving substantial amounts of financial compensation from the very merchants who are proliferating fraud and deception. In fact, fraudulent marketers would be extremely hard pressed to continue to operate if not for the assistance of these legitimate institutions. The financially rewarding symbiotic relationship which presently exists between these institutions

and marketers engaged in fraud and deception must come to an end. These institutions must become part of the solution rather than continue to remain on the sidelines as if they are no more than disinterested on-lookers.

My message today is to urge the Subcommittee to direct those agencies with regulatory authority to aggressively use all available avenues to prevent the U.S. mail system from being used for fraud or deception. The following suggestions are respectfully submitted:

1. INCREASE USE OF THE FRAUD INJUNCTION STATUTE

The Fraud Injunction Statute (18 U.S.C. § 1345) currently enables the U.S. Attorney to prevent a fraudulent marketer from sending deceptive mailings by refusing to process such mailings. In other words, an effective enforcement tool already exists by which fraudulent mailings can be easily stopped before consumers are victimized. Under this Statute, mailing of fraudulent materials can be enjoined at the time they are brought to a Post Office bulk mail processing unit. The U.S. Attorney need only show that there is probable cause that the marketer is about to engage in a fraudulent scheme. It is not necessary to demonstrate irreparable harm as is usually the standard to obtain injunctive relief. Many of the fraudulent mailings seen by my Office are deceptive on their face. Consumers would have been best protected if the mailings had been stopped when they were brought to the Post Office and never distributed at all. The frequency of enforcing this Statute must be dramatically increased and any enforcement action should be broadly publicized.

2. ESTABLISH MECHANISMS TO IDENTIFY FRAUDULENT MARKETERS

Current procedures used by the Post Office do not enable consumer protection regulatory agencies to quickly identify a deceptive marketer. The bulk mail stamp or permit number on a mailing does not necessarily identify the person responsible for mailing the material. A bulk mail permit number is typically issued to a mailing house which does mailings for hundreds of different merchants. Our investigative capabilities would be greatly enhanced if the actual source of the mailings, the individual marketer, could be readily obtained from Post Office records or receipts.

3. ENABLE THE POST OFFICE TO RESPOND TO COURT ORDERS

Currently, the Post Office does not have an effective mechanism that enables its bulk mail receiving units to swiftly respond to Court Orders prohibiting a deceptive marketer from mailing into a certain area. To cite a recent example, two States obtained Court Orders enjoining a fraudulent marketer in Texas from mailing into their States. However, the bulk mail receiving Post Office in Texas had no procedure to flag those enjoined zip codes in order to effectively enforce the Court Orders. This problem existed despite the fact that the Post Office required the mailer to sort the material by zip code. It is imperative that a comprehensive mechanism by which such mailings can be flagged be established as soon as possible.

4. REQUIRE CREDIT CARD COMPANIES & TELEPHONE COMPANIES TO EFFECTIVELY SCREEN MERCHANTS PRIMARILY ENGAGED IN MAIL SOLICITATIONS BEFORE THEY GRANT VENDOR STATUS

Fraudulent marketers typically use the postal system to initiate contact with consumers by sending direct mail solicitations. Much of the money obtained by these marketers is received via credit card or through a pay-per-call (900#) telephone arrangement. Consequently, credit card companies and telephone companies should be required to take adequate steps to insure the legitimacy of such businesses before they enter into contractual arrangements to collect monies from consumers on behalf of these merchants.

5. PROHIBIT COMMERCIAL MAIL FIRMS FROM ALLOWING MERCHANT SUBSCRIBERS TO MISREPRESENT THEIR "MAIL-DROP" AS A "SUITE" OR "OFFICE"

A merchant's return address can provide consumers with information upon which consumers rely in determining if the merchant is a legitimate business. Some deceptive marketers have rented mail boxes at commercial "mail-drop" firms and misrepresented their address as a "suite" or "office" on a well known street when, in fact, it is nothing more than a mail box. Consumers may be more likely to send money to a business if they are led to believe the merchant maintains a prestigious address. Montgomery County has solicited agreements with the major commercial mail box firms to prohibit this practice. Such a prohibition should be done nation-

wide. Private mail box firms should not allow merchants to do that which the U.S. Post Office would prohibit them from doing if they rented a Post Office Box.

In reviewing these recommendations, one overriding principle should remain paramount. Prevention resources should be allocated in such a way that they serve to solve the problem in the most cost effective manner. Clearly, focusing on the entry way to the postal system as well as the points where marketers are granted access to legitimate collection mechanisms (i.e., credit card, telephone, electronic debiting of checking accounts, etc.) is much more cost effective than having many consumer protection agencies attempt to solve the problem at the other end. Such after the fact law enforcement activity, despite significant and longstanding efforts by numerous governmental agencies, has not resulted in the American public being adequately protected from the high cost of mail fraud. It is time for Congress to take the lead and bring about a systemic change in the way mail fraud is viewed and in the nature of the enforcement tools used to prevent it.



Montgomery County Government

NEWS RELEASE

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90-97

Contact: Judy Doctor or
Eric Friedman, 217-7373

CONSUMER AFFAIRS WARNS THAT
BUSINESSES CANNOT USE
POSTAL BOX FOR ADDRESS

For Immediate Release: March 14, 1990

Montgomery County's Office of Consumer Affairs is notifying commercial mail box firms that serve as a mail box or mail drop for various businesses that they must cease the practice of allowing a business to represent a return address as a "suite" or office when, in fact, it is only a mail drop.

"Misrepresenting a 'postal box' as a business address is a violation of County Consumer Protection Law," said Consumer Affairs Executive Director Barbara B. Gregg. "When a business gives the impression that it is physically located at a particular address, consumers assume that if a problem occurs they can go to that address and deal face to face with a representative of the business.

"We are writing to all County firms and are pleased that they are voluntarily changing their practices," Gregg added.

The problem came to OCA's attention when a consumer attempted to have a business served with a summons for a Small Claims Court case and the business' address turned out to be a postal box location.

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County Bids For Good Publicity

By Mary Helen Yarborough
Editor

The county's Office of Economic Development is looking for some good PR, which may or may not mean replacing its current contract with the Washington-based public relations agency Manning, Selvage & Lee.

OED's three-year \$140,000 contract with Manning, Selvage & Lee expires June 30 and the county is accepting bids from other firms.

Joe Gleason, Manning, Selvage & Lee's managing director, said

the bidding puts his firm in a competitive stance to retain one of the county's most active publicity-seekers.

"Anytime you go into competition, you're looked at as one of the crowd," Gleason said.

The firm, which in November won a \$200,000 contract renewal for the Silver Spring Urban District, said he can't afford to become complacent.

"It's hard fought all the way," he said. "We do feel like we have some advantages in that we have worked with the county and that

we have a firm commitment to economic development."

Gleason said he doesn't know what his competition is, because the county has a closed bid process.

"We won't know who else is bidding until we go in there June 30 and see who else is sitting in the lobby," Gleason said.

Recently, OED director Dyan L. Brasington gained initial approval from a county budget subcommittee to retain her proposed funds to hire a public relations firm.

Mailbox Inadequate Business Address

By Jessica Gregg
Business Record Correspondent

County businesses that rent private post office boxes must comply with stricter standards on how the boxes are used as addresses.

The county's Consumer Affairs Office directed businesses that rent commercial mail boxes to tell customers that the address is a post office box and not an office location. Leading customers to believe a post office box is a suite or an office is a violation of the state consumer protection statute, county consumer affairs officials said.

"There's nothing wrong with using a post office box," said Eric

Friedman, an investigator for the county Consumer Affairs Office. "But there are definitely some merchants who were using these boxes as a front or a way to shield their identity."

Friedman said the new regulation will not affect the majority of the merchants who rent private post office boxes. However, firms that instruct clients to use the term "suite" in addresses instead of "post office box" will no longer be allowed to do so.

Mail Box Etc., a large commercial mailing firm, is one of the companies that allowed customers to use the term "suite." Bonnie Ross, a company spokeswoman,

said the new standards will hurt the credibility of businesses that have followed that practice.

The regulation has only been adopted in Montgomery County, but Friedman predicts other counties will do the same.

He said Pennsylvania recently adopted a similar law.

RMR Wins Atlantix Contract

Atlanta Corporation (formerly CocoNet, Inc.) of Boca Raton, Fla. has announced that RMR & Associates, Inc., a full service advertising agency based in Rockville, will be the agency of record to promote Atlanta Corporation and its products.

Atlanta Corporation, which was founded in 1989 by Tony Ardolino, signed a multi-million dollar investment deal with the Perot Group, a venture-capital company headed by high-technology entrepreneur H. Ross Perot, in January 1990. The computer software company provides integration of UNIX workstations with industry standard PC-LANs.

Atlanta, after the consideration of various national advertising firms, decided to use RMR & Associates' approach to advertise

KLM Approved for BWI— Amsterdam Route

Governor William Donald Schaefer has announced that KLM Royal Dutch Airlines has been granted approval by the U.S. Department of Transportation (USDOT) to inaugurate service from Baltimore/Washington International Airport (BWI) to Amsterdam.

KLM was the first airline to apply for such authority under a new

international service confirms Maryland's potential in the world marketplace.

One month ago, Governor Schaefer, along with Paul Sarbanes, Sen. Barbara Mikulski, and William Hudson, Executive Director, Business Development from Westinghouse emphasized the importance of international business to Maryland, and the public-

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Montgomery BUSINESS

A change of address: A mail box isn't a suite

BY LLOYD BATZLER

When a Silver Spring man went to discuss a complaint at a moving company's office earlier this year, he found the mover's "suite" actually was a mailbox at an out-of-town company.

The frustrated customer, Edmund M. Friedman, is complaining about a dozen companies that rent private mailboxes to stop allowing clients to use "suite" or "office" in a return address.

Commercial mail drop companies, which also sell other business services such as telephone numbers and advertising, have proliferated since the early 1960s.

"There's nothing wrong with a merchant renting a mailbox," said Eric S. Friedman, an investigator in the consumer office. "There are a lot of businesses that do this. But if you have a lawsuit, call it a mailbox."

Friedman said using a mail drop as a business address violates county practices because the deceptive trade practices law says it can lead someone to believe the company conducts business at the address.

An investigation by the Office of Consumer Affairs found that some commercial mail-drop companies "instructed their clients to refer to their box as a suite," Friedman said.

how many companies use private mailbox services.

Bob DeSio, vice president of San Diego-based Mail Boxes Etc., said his company is telling its county franchise owners to change rental agreements that may suggest clients use the word "office" or "suite" in return addresses.

"We're wanting to cooperate as much as possible," DeSio said. "The problems that we have at our mail receiving agencies are no different than the post office has at their post office boxes."

Mail Boxes Etc. is one of the nation's largest private mailbox chains, with more than 1,000 franchises open since its founding in 1980.

The Office of Consumer Affairs is giving businesses 90 days to change stationery or advertisements listing a mailbox as an office or suite.

So Ms. Leona Roderick, victim of mail fraud from Wheaton, MD.

Ms. RODERICK. Yes. Thank you for inviting me to testify and I'm delighted that we're holding this hearing on mail fraud because it's unbelievable how many people that this has happened to and we're all really gullible as far as these sweepstakes bits are concerned and how, you know, we fall for them. Of course, I am happy to say that I didn't—I really feel bad for the other people, but I didn't get involved very deep in it which I'm glad.

Prior to July 3, 1992, I received a letter from a company, so I assumed it was a company, center for refund services, stating that I had won \$5,178. I was to mail them \$9.97 for mail charges to get this to me. I did send them the money and I waited and I didn't hear from this company so I wrote them a letter and their response was that "I have not received your money for mailing fees and you need to send \$9.97." After receiving my canceled check, I then knew better than to send another \$9.97, and I have copies of the correspondence with them and a copy of the canceled check.

Miss COLLINS. Is that the one that said it was an Internal Revenue—

Ms. RODERICK. No, this is another one.

Miss COLLINS. This is another one.

Ms. RODERICK. This is another one. I later received a letter from what's called U.S. Product Testing and that they had a number of products for your selection. It was a John Deere tractor lawn mower, a Singer sewing machine, ladies and gentlemen's watch, a freezer, a TV, a VCR, and Craftsman's tools. You could make your selection and send them \$14 for the mailing cost. So you make your selection, mail them the check for \$14. You don't hear from them. You contact them and you get the same story. We have not received your money for mailing cost. I tried contacting these people. I wrote them a letter. No response. And I'm looking at my canceled checks and these people have a Florida address, but when these checks are stamped, it says on the back of them Philadelphia. If they have a legitimate business in Florida, why would they be sending these checks to be cashed in Philadelphia?

Miss COLLINS. You sent the checks to Florida?

Ms. RODERICK. Yes. I am 60 years of age and I'm rearing a grandson. I lost \$25 between the two of them, which isn't much but it's \$25 more than I could really afford because it's something that I could have spent doing something for my grandchild.

And you may have these if you wish, if you like. It's the correspondence from these companies and copies of my canceled checks.

Miss COLLINS. All right. Thank you very much.

Ms. RODERICK. And hopefully with what's happening here today will help other people, other victims, not to be victimized in these so-called sweepstakes things.

[The prepared statement of Ms. Roderick follows:]

PREPARED STATEMENT OF LEONA RODERICK, VICTIM OF MAIL FRAUD

Thank you for inviting me to testify. I am delighted you are holding hearings on mail fraud, a problem which has become quite rampant in the last few years. I sincerely hope this subcommittee can do something about this problem. I am here today to tell you my story.

My name is Leona Roderick. I am sixty years old and live on a low fixed income. I have to pinch pennies to make ends meet, because I am rearing a young grandson. I am from the Baltimore-Washington area.

I have been the victim of mail fraud twice. There were two letters that I received by mail. The first stated that I had \$5000 due me from the I.R.S., and that I should send nine dollars for them to mail it to me. I think this was in July. So, I sent them \$9.75. That was the first instance. I received a notice shortly thereafter saying that they had not gotten the check, and saying this was why I could not get my refund. But I had my cancelled check, so I knew that they had received it. I did not send them any more money, although they indicated I had to send more. That was the first time.

The second time I got taken was through the United States Product Testing Company. I received a letter that said that they were conducting a survey on appliances. The letter arrived in a brown envelope with a card and a return envelope inside. You were to check the card to indicate what appliance you would like them to bring to your house to test and send it off with your money. If you sent them fourteen dollars, then they would drop off the appliances. The appliances were all sorts of things: washers and dryers, TVs, lawn mowers. Basically, the letter said that if the appliance they were testing was still in your household after a year and that if it was still working that it was automatically yours and you could keep it.

However, after I sent my money, no appliances arrived. First I wrote the company asking them why they had not sent the appliance I had requested. Then, I contacted them by phone. The company said they said that they had not received my money. That was when I realized it was just a gimmick. I later found out both letters were from the same people.

I ended up filing a complaint with the Montgomery County Consumer Affairs and eventually got in touch with the Postal Service. Apparently, there had been lots of complaints. I spoke to the people with the Postal Service that indicated that it's often older people that are the victims.

In total I lost \$25.00, which may not seem like much, but which was \$25.00 I could not afford to lose.

In the past I had received tons of paper from these people, but had never responded. I have copies of the cancelled checks and other records that I would like submitted for the record. I hope that something will be done about this type of theft. I think they are preying on the elderly, and I think it must be stopped. The whole experience was very upsetting to me.

Miss COLLINS. Were the letters sent to you individualized letters? Were they addressed to you or were they occupant?

Ms. RODERICK. No. They were addressed to myself.

Miss COLLINS. How do you think they got your name? The U.S. Consumer Product Testing Co.?

Ms. RODERICK. I have no idea. I didn't realize until sitting here in this hearing realizing that these different people, you go fill out applications for a credit card, for instance, or have a change of address at the post but you have no idea that these people are selling this information. They tell you when this is taking place, this is confidential. We're the only ones that will have this. No one else. But they're selling it to each on down the line, and evidently this is how they're getting the information on these people because it shows here on the correspondence with these companies that my name and address is here on them.

Miss COLLINS. Did you contact any agency or the post office when you realized it was a scam?

Ms. RODERICK. When I realized it was a scam, I contacted consumer affairs in Rockville. They were very helpful. I did contact the postal inspectors, discussed this with them, and then they're telling me, you're not the only complaint. We have thousands of complaints.

Miss COLLINS. Did they do anything?

Ms. RODERICK. They tell you that they're going to investigate this but thus far I haven't had any other contact except a letter stating

that someone in Tennessee or some place is investigating this. They give me a gentleman's name and I haven't had any other correspondence with them.

Miss COLLINS. Well, I commend you for coming to testify and I commend you for going forward. A lot of people would say \$25 isn't worth the effort but, of course, it is worth the effort and hopefully all of this great testimony will help us enable this committee to draft legislation. We have one or two more hearings and then we'll see what kind of legislation can be drafted that will help. Once that's drafted, we're going to need your help in coming to testify before the committee to try to get the legislation passed. Isn't that correct?

I thank you very much, Mr. Friedman, for such concrete, written recommendations to us.

This oversight hearing on mail fraud is now completed and I think we did it very timely. The House went into session at 12 noon and so we're right on time. And again, I give you my thanks for coming.

Hearing is adjourned.

[Whereupon, at 12:10 p.m., the subcommittee adjourned.]

MAIL FRAUD

WEDNESDAY, JULY 21, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 311, Cannon House Office Building, Hon. Barbara-Rose Collins (chair of the subcommittee) presiding.

Members present: Representative Collins.

Miss COLLINS. The Subcommittee on Postal Operations and Services will now come to order.

Today we are having our second in the hearings on mail fraud. I would like to welcome the witnesses to this hearing.

The first mail fraud hearing was held May 19, 1993, and it focused on the testimony of the mail fraud victims. The Subcommittee heard testimony on the various ways mail fraud is perpetrated and the debilitating effects on its victims. We heard some real horror stories about individuals losing hundreds of thousands of dollars after responding to fraudulent scams that were advertised through the U.S. mail service, especially the senior citizens.

It was clear from the testimony that most of the victims, whose background and ages varied, had suffered financial loss by sophisticated schemes facilitated through the U.S. mail service.

The victims' loss and embarrassment was further compounded by the frustration encountered when they were shuffled from one law enforcement agency to another. In some instances, independent investigations revealed that individuals continued to be defrauded by these scams even after Government agencies were notified.

Today's hearing will focus on the Federal, State, and local agencies that have the responsibility for combating this ever-growing problem and how enforcement efforts are now being coordinated. We are here to determine what, if any, technological advances are being utilized to assist consumers in the reporting of mail fraud incidents.

With the number of fraudulent scams growing at alarming rates, agencies that are responsible for enforcing the law as it relates to mail fraud should become more efficient and economical in ways to combat this problem.

Today we hope to learn how the various agencies coordinate mail fraud referrals. We would like to know how the process for reporting mail fraud cases can be coordinated so that complainants of mail fraud are not transferred from agency to agency, only to find that no agency is prepared to help them.

While we realize, in general, all Government enforcement agencies are facing the reality of limited funding, there must be some unified effort implemented to deal with the reporting of mail fraud scams. Today we hope to hear of some innovative ways to accomplish this objective.

To assist and help guide us in achieving this goal, I am delighted to have with us today representatives of the Postal Inspection Service, the Federal Trade Commission, the Department of Justice, the Federal Bureau of Investigation, the National Association of Attorneys General, the Better Business Bureau, and the National Consumers League.

All of these organizations will share with us how they process mail fraud complaints from the initial reporting to the final disposition. Hopefully, we will learn how efforts are coordinated with other consumer advocate groups and agencies. In addition, some suggestions on how Congress can be of assistance in eliminating the problem of mail fraud would be appreciated.

[The prepared statement of Hon. Barbara-Rose Collins follows:]

PREPARED STATEMENT OF HON. BARBARA-ROSE COLLINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

I would like to welcome the witnesses to the second in our series of subcommittee hearings on the issue of mail fraud.

The first mail fraud hearing, held May 19, 1993 focused on the testimony of mail fraud victims.

The subcommittee heard testimony on the various ways mail fraud is perpetrated and the debilitating effects of its victims. We heard some real horror stories about individuals losing hundreds of thousands of dollars after responding to fraudulent scams that were advertised through the U.S. Mail Service.

It was clear from the testimony, that most of the victims, whose background and age varied, had suffered financial loss by sophisticated schemes facilitated through the U.S. Mail Service. The victim's loss and embarrassment was further compounded by the frustration encountered when they were shuffled from one law enforcement agency to another. In some instances, independent investigations revealed that individuals continued to be defrauded by these scams even after Government agencies were notified.

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On a personal note, I am extremely pleased and happy to welcome Ms. Esther Shapiro, Director, of the Department of Consumer Affairs and the city of Detroit, Michigan. Ms. Shapiro is a good friend and I appreciate her taking the time from her busy schedule to be here today.

Additionally, I want to thank all of the witnesses for being here today. I am looking forward to your testimony and hope that it will serve to enlighten us on the success of interagency task forces, educational awareness programs, centralized databases, forfeiture provisions and other innovative efforts in combating mail fraud.

Miss COLLINS. On a personal note, I am extremely pleased and happy to welcome Ms. Esther Shapiro, director of the Department of Consumer Affairs for the city of Detroit, whom I have known for many, many, many years. Ms. Shapiro is a good friend and I appreciate her taking her time from her busy schedule to be here today.

Additionally, I want to thank all of the witnesses for being here and I am looking forward to your testimony and hope that will serve to enlighten us on the success of interagency task forces, educational awareness programs, centralized databases, forfeiture provisions and other innovative efforts in combating mail fraud.

Our first panelist will be Linda Golodner, president of the National Consumers League. Welcome, Linda. Thank you for being so patient.

STATEMENT OF LINDA GOLODNER, PRESIDENT, NATIONAL CONSUMERS LEAGUE

Ms. GOLODNER. Thank you. My name is Linda Golodner and I am president of the National Consumers League. It is America's oldest consumer organization. I am pleased to appear before your subcommittee today to discuss our views on the growing problem of mail fraud as well as steps we believe that can be taken to bring this problem under control.

I want to commend the subcommittee and its staff for undertaking this set of hearings to hear our views on mail fraud.

I sincerely believe that the mail fraud statute is perhaps the most important anti-fraud weapon in our Nation's legal arsenal. It is such a powerful weapon that most con artists will go to great lengths to avoid use of U.S. mails in pursuit of fraudulent activity. Only when it is unavoidable or they can work out a way to operate within the law do they trust the postman, the postal worker.

The mail fraud statute is only as good as the agency which enforces it. And here again, we find that con artists will go to any length to avoid contact with the U.S. Postal Inspection Service. The National Consumers League has had a long association with the Service and its agents.

We administer the Alliance Against Fraud in Telemarketing, a 100-member international coalition of public and private organizations working to combat consumer fraud. I am proud to say that the U.S. Postal Inspection Service has been an active member of this coalition since it began and the individual who represents the Service on the Alliance Against Fraud in Telemarketing also serves as a member of its steering committee.

The U.S. Postal Inspection Service is also actively involved in a more recent project of the National Consumers League—the National Fraud Information Center. And I want to describe briefly the

work of the Center and the USPIS's role in helping to bring high tech weaponry to play in the war against fraud artists.

Last year, several major American corporations awarded a grant to the National Consumers League to begin to apply high tech to the growing problem of consumer fraud. Our best estimate is that more than \$50 billion each year is stolen by sophisticated con artists using the latest computer technology and telecommunications to bilk the American public.

We believe that by taking a lesson from the con man's book—by adapting the latest in telecommunications and computer technology to the fight against fraud—we could cut down significantly on the relative ease at which the criminals operate.

We were prompted to some extent by a remark made to one of our staff members by an FBI agent stationed inside San Diego. When asked if he had heard about a new type of telemarketing fraud, the agent replied, "If I have heard about, it is at least 6 months old."

If we could cut down the time it takes for law enforcement and regulatory authorities to detect fraud and begin to build criminal and civil cases against perpetrators, we would make a significant contribution to the fight against fraud.

I am pleased to report today that we have made some significant progress. We have established here in Washington the National Fraud Information Center which provides both consumers and enforcement authorities a variety of sophisticated services and technology to assist in early detection and apprehension of con artists.

We have in place a national toll-free consumer assistance service which provides consumers a place to call to find out information about offers they receive in the mail or over the phone. We assist them in evaluating these offers and we warn them when they are about to become defrauded.

For those who have already become victims, we offer a variety of services. Last year, when we were designing a consumer assistance service, we engaged the services of Lou Harris and Associates to conduct a nationwide random sample survey of consumer fraud issues. Out of that survey, came some very enlightening and some very disturbing statistics.

One particularly disturbing revelation contained in the Harris survey was the fact that very few Americans actually do report fraud. One reason for this is that very few people know where to report it. Only 5 percent of Americans, for example, know that there are State, county, and municipal agencies to provide assistance to consumers to report the fraud. Only about 25 percent of adult Americans are aware of Better Business Bureaus.

Therefore, one of the major services we provide is a sophisticated system to locate specific agencies in a caller's community or State which can provide assistance or which can receive consumer complaints. The consumer is referred to that agency which can help.

More than 80 percent of the calls coming in to the fraud center are handled and completed with one call. The center handles more than 100,000 consumer inquiries and we figure, in one year, it will handle about 100,000.

Already, the calls and information coming in to the center are providing significant information to victims and those who are

about to become victims. But that is not all. From the beginning of a project, we believed that the information coming in to the center would provide an invaluable resource to law enforcement.

Information from a consumer complaining about a phone call from a new boiler room in Butte or any other city could provide early detection of a new telemarketing scam. Other calls could provide information about an illegal operation, for instance moving from Houston to Phoenix. All this data was potentially an invaluable intelligence resource for law enforcement.

All the complaints and incident reports coming in to the fraud center are monitored and evaluated by staff experts. At the end of each working day, these complaints are electronically filed with the Federal Trade Commission's telemarketing fraud database.

The FTC, along with the National Association of Attorneys General, has established this database which is available to Federal enforcement and regulatory agencies, State law enforcement officials, as well as regional officers of the Commission. Several agencies which monitor and evaluate criminal justice intelligence also use the database as an information and statistical resource.

At this point, the fraud center is the major data contributor to the national network at the FTC. Where it once took weeks for news of a new illegal operation or a new scam to work its way around the country, today the information is available almost immediately.

The center recently installed a new electronic watchlist which provides even better referral services for law enforcement and regulatory agencies. If a regional office of the U.S. Secret Service, for example, needs information on a particular company operating in its jurisdiction, it can contact the center and ask to have the name put on the watchlist.

The watchlist scans the entire complaint database every 2 minutes looking for that company and others which have been entered in the system. If one of our consumer assistance counselors, for example, receives information about that company over the phone and enters that company name, the watchlist finds the company within the 2 minutes and reports it to our monitors.

We can then alert the Secret Service immediately and forward the complaint to the agency. Within 2 or 3 weeks, our system will be able to forward the information immediately and automatically to the agency which requested it.

The FBI agent in San Diego who used to wait 6 months to hear about a scam can now get the information in seconds.

The National Consumers League believes that its fraud center can make an important contribution to the fight against fraud. We are pleased that a number of Federal agencies, including the U.S. Postal Inspection Service, have expressed an interest in linking up with the FTC/NAAG electronic database.

Our data indicates that U.S. mail is still an important vehicle for the perpetration of fraud. Our Harris survey indicated, for instance, that more than 92 percent of adult Americans have received postcards announcing that they are a grand winner in a fabulous contest. More than 30 percent have actually responded.

There is no doubt that the U.S. mail is an important vehicle for the con artist, but as postal inspectors become more and more alert

to these scams, the con artist is seeking different ways to get the message to the consumer and to receive the funds.

We have seen a growing incidence of direct debit from checking accounts. We have seen a growing use of Western Union electronic money orders and we have seen a healthy growth in the use of private mail carriers to transport checks from victims to con artists.

The use of private mail carriers has become the No. 1 challenge for law enforcement. If a con artist uses one of half a dozen major private carriers, the U.S. Postal Inspection Service lacks jurisdiction. Private carriers who want to report these con artists are not always sure who, if anyone, does have jurisdiction in these cases. There is some argument that transporting funds in pursuit of a fraud by a private carrier is no crime.

The private carrier industry and organizations like ours are working to educate the consumer that sending a check by way of a private express service is foolish. It prevents the postal inspectors from investigating and if later it turns out that a crime has been committed, it gives the consumer very little time to stop payment on a check. And it is important to recognize that these carriers have no official status and cannot protect the consumer's money or provide refunds if the offer turns out to be bogus.

Our studies indicate that the consumer has increased confidence in the con man who asks to have the check or money order sent by way of a private carrier. We asked respondents in our Harris survey if they would be suspicious if a caller asked them to send the money immediately. More than 89 percent indicated that this would increase their suspicion. If they were told to send the money by way of Federal Express, however, their suspicion decreased.

The National Consumers League is working to secure enactment of legislation which would enable postal inspectors or other Federal enforcement authorities to investigate fraud cases involving the use of private carriers.

This provision is contained in legislation currently under consideration by the Senate Judiciary Committee. The bill, S. 568, would create criminal penalties similar to those contained in the mail fraud statute for transport of funds in pursuit of a fraud via private carrier.

Passage of this legislation would put a stop to the growing use of private carriers by con artists. We also believe that the postal authority should educate consumers about the dangers of sending U.S. postal money orders for merchandise or for any other purpose, for that matter. As it is, there is very little, if any, protection when money orders are used.

From our vantage point, we see a growing spirit of cooperation among the various Federal and State law enforcement and regulatory agencies investigating fraud cases. We held a 2-day retreat earlier this month for the enforcement and regulatory community during which we discussed ways in which we can all work more closely to combat mail fraud and similar offenses.

The Justice Department is now meeting on a regular basis with its colleagues in other agencies. The postal inspectors are talking to the FBI, and agencies which have criminal jurisdiction are beginning to compare notes with civil enforcement authorities. I see every indication that this cooperative spirit will continue.

I want to thank this subcommittee and its staff for its interest in and concern for the millions of Americans who are victims of mail fraud each year. We look forward to working with you. We feel that the con artists are out there every day defrauding consumers and we would like to work with you to try to make it more difficult for them.

Thank you very much.

[The prepared statement of Ms. Golodner follows:]

PREPARED STATEMENT OF LINDA GOLODNER, PRESIDENT, NATIONAL CONSUMERS LEAGUE

Madam Chairman and Members of The Subcommittee:

My name is Linda Golodner. I am President of the National Consumers League, America's oldest consumer organization. I am pleased to appear before your subcommittee today to discuss our views on the growing problem of mail fraud as well as steps we believe can be taken to bring this problem under control.

I want to commend the subcommittee and its staff for undertaking this set of hearings to hear witnesses' views on mail fraud. I sincerely believe that the mail fraud statute is perhaps the most important anti-fraud weapon in our nation's legal arsenal. It is such a powerful weapon, Representative Collins, that most con artists will go to great lengths to avoid use of the U.S. mails in pursuit of fraudulent activity.

Only when it is unavoidable—or they can work out a way to operate within the law—do they trust the postman.

The mail fraud statute is only as good as the agency which enforces it. And, here again, we find that con artists will go to any length to avoid contact with the U.S. Postal Inspection Service. The National Consumers League has had a long association with the U.S. Postal Inspection Service and its agents. We administer the Alliance Against Fraud in Telemarketing, a 100-member international coalition of public and private organizations working to combat consumer fraud. I am proud to say that the U.S. Postal Inspection Service has been an active member of this coalition since it began and the individual who represents the Service on the Alliance Against Fraud in Telemarketing also serves as a member of its steering committee.

The U.S. Postal Inspection Service is also actively involved in a more recent project of the National Consumers League—the National Fraud Information Center. I want to describe briefly the work of the center and USPIS's role in helping to bring high tech weaponry to play in the war against fraud artists.

Last year, several major American corporations awarded a grant to the National Consumers League to begin to apply high technology to the growing problem of consumer fraud. Our best estimate is that more than \$50 billion each year is stolen by sophisticated con artists using the latest telecommunications and computer technology to bilk the American public. We believed that, by taking a lesson from the con man's book—by adapting the latest in telecommunications and computer technology to the fight against fraud—we could cut down significantly on the relative ease with which these criminals operate. We were prompted, to some extent, by a remark made to one of our staff members by an FBI agent stationed in San Diego. When asked if he had heard about a new type of telemarketing fraud, the agent replied: "If I've heard about it, it's at least six months old."

If we could cut down the time it takes for law enforcement and regulatory authorities to detect fraud and begin to build criminal and civil cases against perpetrators, we would make a significant contribution to the fight against fraud.

Representative Collins and members of the subcommittee, I am pleased to report today that we have made significant progress. We have established here in Washington the National Fraud Information Center, which provides both consumers and enforcement authorities a variety of sophisticated services and technology to assist in early detection and apprehension of con artists. We have in place a national toll-free consumer assistance service, which provides consumers a place to call to find out information about offers they receive in the mail or over the phone. We assist them in evaluating these offers and we warn them when they are about to be defrauded.

For those who have already become victims, we offer a variety of services. Last year, as we were designing a consumer assistance service, we engaged the services of Lou Harris and Associates to conduct a nationwide random sample survey of consumer fraud issues. Out of that survey came some very enlightening and some very disturbing statistics. One particularly disturbing revelation contained in the

Harris Survey was the fact that very few Americans report fraud. One reason for this is that very few people know where to report. Only five per cent of adult Americans, for example, know that there are many state, county, and municipal agencies which provide assistance to consumers who want to report fraud. Only about 25 per cent of adult Americans are aware of Better Business Bureaus.

Therefore, one of the major services we provide is a sophisticated system to locate specific agencies in a caller's community or state which can provide assistance or which can receive consumer complaints. The consumer is referred to an agency which can help.

More than 80 per cent of the calls coming in to the National Fraud Information Center are handled and completed with one call. The center will handle more than 100,000 consumer inquiries and requests for assistance each year. Already, the calls and information coming in to the center are providing significant assistance to victims and those who are about to become victims.

But that is not all. From the very beginning of our project, we believed that the information coming in to the Center would provide an invaluable resource to law enforcement. Information from a consumer complaining about a phone call from a new boiler room in Butte could provide early detection of a new telemarketing scam. Other calls could provide information that an illegal operation had moved from Houston to Phoenix. All this data was potentially an invaluable intelligence resource to law enforcement.

All the complaints and incident reports coming in to the National Fraud Information Center are monitored and evaluated by staff experts. At the end of each working day, these complaints are electronically filed in the Federal Trade Commission's telemarketing fraud database. The FTC, along with the National Association of Attorneys General, has established a sophisticated database network which is available to federal enforcement and regulatory agencies, state law enforcement officials, as well as regional offices of the Commission. Several agencies which monitor and evaluate criminal justice intelligence also use the database as an information and statistical resource.

At this point, the National Fraud Information Center is the major data contributor to the nationwide network. Where it once took weeks for news of a new illegal operation or a new scam to work its way around the country, today the information is available almost immediately.

The Center recently installed a new Electronic Watchlist which provides even better referral services for law enforcement and regulatory agencies. If a regional office of the U.S. Secret Service, for example, needs information on a particular company operating in its jurisdiction, it can contact the Center and ask to have the name put on the Watchlist. The Watchlist scans the entire complaint database every two minutes looking for the company and other which have been entered in the system. If one of our consumer assistance counselors receives information about that company over the phone and enters the name of that company in our complaint system, the Watchlist finds that company within two minutes and reports to our monitors. We can then alter the Secret Service immediately and forward the complaint to the agency. Within two or three weeks, our system will be able to forward the information immediately and automatically to the agency which requested it.

The FBI agent in San Diego who used to wait six months to hear about a scam can now get the information in a nanosecond.

The National Consumers League believes that its National Fraud Information Center can make an important contribution to the fight against fraud. We are pleased that a number of federal agencies, including the U.S. Postal Inspection Service, have expressed an interest in linking up to the FTC/NAAG electronic database.

Our data indicates that the U.S. Mail is still an important vehicle for the perpetration of fraud. Our Harris Survey indicated, for example, that more than 92 per cent of adult Americans have received postcards announcing that they are the grand winner in a fabulous contest. More than 30 per cent have responded.

There is no doubt that the U.S. mail is an important vehicle for the con artist. But, as Postal Inspectors become more and more alert to these scams, the con artist seeks different ways to get the message to the consumer and to receive the funds. We have seen a growing incidence of direct debit from checking accounts. We have seen the growing use of Western Union electronic money orders. And we have seen a healthy growth in the use of private mail carriers to transport checks from victims to con artists.

This use of private mail carriers has become the number one challenge for law enforcement. If a con artist uses one of half a dozen major private carriers, the U.S. Postal Inspection Service lacks jurisdiction. Private carriers who want to report these con artists are not always sure who, if anyone, does have jurisdiction in these

cases. There is some argument that transporting funds in pursuit of a fraud via private carrier is no crime.

The private carrier industry and organizations like ours are working to educate the consumer that sending a check via a private express service is foolish. It prevents the Postal Inspectors from investigating if it later turns out that a crime has been committed. It gives the consumer very little time to stop payment on a check. And it is important to recognize that these carriers have no official status and cannot protect the consumer's money or provide refunds if the offer turns out to be bogus.

Our studies indicate that the consumer has increased confidence in the con man who asks to have the check or money order sent via private carrier. We asked respondents in our Harris Survey if they would be suspicious if a caller asked them to send the money immediately. More than 89 per cent indicated that this would increase their suspicion. If they were told to send the money via Federal Express, however, their suspicion decreased.

The National Consumers League is working to secure enactment of legislation which would enable Postal Inspectors or other federal enforcement authorities to investigate fraud cases involving the use of private carriers. This provision is contained in legislation currently under consideration by the Senate Judiciary Committee. The bill, S. 568, would create criminal penalties, similar to those contained in the mail fraud statute, for transport of funds in pursuit of a fraud via private carrier.

Passage of this legislation would put a stop to the growing use of private carriers by con artists. We also believe that the Postal authorities should educate consumers about the dangers of sending U.S. Postal money orders in payment for merchandise or for any other purpose, for that matter. The money order is really nothing better than cash payment. As it is, there is very little, if any, protection when money orders are used.

From our vantage point, we see a growing spirit of cooperation among the various federal and state law enforcement and regulatory agencies investigating fraud cases. We held a two-day retreat earlier this month for the enforcement and regulatory community during which we discussed ways in which we can all work more closely to combat mail fraud and similar offenses. The Justice Department is now meeting on a regular basis with its colleagues in other agencies. The Postal Inspectors are talking to the FBI. And agencies which have criminal jurisdiction are beginning to compare notes with civil enforcement authorities. I see every indication that this cooperative spirit will continue.

I want to thank the Subcommittee and its staff for its interest in and concern for the millions of Americans who are victims of mail fraud each year. We understand the frustration of consumers who complain about the inability of our Postal Service to stop the flood of postcards and sweepstakes awards coming into the home each day. We understand the frustration of Postal Inspectors who investigate the flood of postcards and must try to sort out the most egregious offenders of our mail fraud statutes.

And we appreciate your oversight of this agency and its programs to insure that the Postal Service is meeting the needs of its customers.

Neither rain nor snow nor sleet, Representative Collins, seems to deter the con man. But we believe that, with early detection and some new legislation, with the cooperation of the Congress, and with a sincere desire to cooperate with other agencies, the Postal Inspectors can at least dampen their enthusiasm.

Thank you very much.

Miss COLLINS. Thank you. That is exciting testimony, the database. I had several questions to ask you. On page 7 of your testimony, you said it is important to recognize that the private carriers have no official status and cannot protect the consumers' money or provide refunds. So the U.S. Postal Service can't do that either?

Ms. GOLODNER. U.S. Postal Service will investigate. With the private carriers, I know they are very frustrated.

Miss COLLINS. I know they can't investigate, but the U.S. Postal Service can't provide refunds if it is bogus.

The National Fraud Information Center, how do you advertise that to the general public and law enforcement agencies?

Ms. GOLODNER. We have good cooperation with the law enforcement agencies, make information available to them and we speak to them, regularly on the phone. As far as letting consumers know that it exists, we mostly work through the press and we found that they have been very cooperative in distributing the number.

Miss COLLINS. Is there an 800 number?

Ms. GOLODNER. It is an 800 number, yes. It keeps our phones very busy. Just letting the press know and working through consumer agencies and others to get the number out.

Miss COLLINS. And that is how you are building your database?

Ms. GOLODNER. That is right. We get calls every day and then we give those calls, if they are fraudulent calls, directly to the FTC/NAAG database. Some of the calls are just inquiries. Some are people who have not been defrauded yet. They are potential victims, so we try to explain to them what the pattern of a fraud is. We also send them information.

Every call that comes in gets a brochure. Most of them have been created by the Federal Trade Commission, developed by their Consumer Affairs Office and on various frauds so that people are at least getting some information on how to combat fraud.

Miss COLLINS. Your 2-day retreat that you held earlier this month for enforcement and regulatory groups, are you satisfied with the results of that meeting?

Ms. GOLODNER. Yes. I feel that we have been able to develop a good communication among consumer groups, other public interest groups, and with the regulatory and enforcement agencies. And I think we all feel that it is important to have that open communication.

Miss COLLINS. Was—are you at liberty to say what coordination efforts were agreed to?

Ms. GOLODNER. I think probably if you talk with the regulatory agencies, they would be more appropriate to answer that question. I think we all agreed, however, that technology is important and that enforcement agencies have to improve their own technology and offices like Esther Shapiro's office in Detroit certainly needs higher tech available to her, computers or modems and faxes, and items that we find common, we need it in every consumer agency in the country, I think so that they can exchange information and receive information from our center and from the Federal Trade Commission.

Miss COLLINS. Had you a comment in your statement that you didn't read, neither rain, nor snow, nor sleet seems to deter the con man. And I noticed you changed that to con artist with no genders. And isn't it amazing how one scam can cross the entire country so quickly? You wonder, do they—are they this telepathic communication with each other. The crook is ever diligent on new ways.

Ms. GOLODNER. They are very sophisticated. This is their job. They have been doing it for a long time and sometimes it passes on from generation to generation.

Miss COLLINS. But it seems as though maybe they have a database that—

Ms. GOLODNER. Absolutely, yes.

Miss COLLINS. They do?

Ms. GOLODNER. Yes. They have databases and there is something we call the reload scam. If you have been conned once, you will be conned again and people get on this database. They call to even upgrade their database to find out more information about an individual and then sell that database from boiler room to boiler room.

Miss COLLINS. So that is how it goes across the country, then. It is really a sophisticated business.

Ms. GOLODNER. One important thing is that consumers are actually making those calls themselves. They receive the postcard in the mail or they see a number to call in the newspaper and they make the call themselves, so therefore, you are sorting out those people that might be at least curious, and that really cuts down on the number of calls that the con artist has to make.

Miss COLLINS. I have noticed with some of the testimony we had at the last hearing that, as you say, they have sort of left the U.S. mails and they have gone to the telephone. And I received one myself, fantastic, 3-night, 4-day trip to Orlando, FL. Free.

And well, I will save my comments until later, but it seems to me as though the Internal Revenue Service could be more diligent with some of these scam artists because I doubt if they pay income taxes because they move on so quickly.

But, nevertheless, we will go to our next panelist, Mrs. Esther Shapiro, from the great city of Detroit, MI.

STATEMENT OF ESTHER SHAPIRO, DIRECTOR, DETROIT OFFICE OF CONSUMER AFFAIRS

Ms. SHAPIRO. Thank you. My name is Esther Shapiro and I am director of the Detroit Consumer Affairs Department, a position I have held since the agency was founded in July 1974. I appreciate the opportunity to testify before this body and am especially pleased that it is chaired by my own representative from Detroit, the Honorable Barbara-Rose Collins.

Any case studies I could present would mirror what you already know. Examples of travel, sweepstakes, investment, and work-at-home frauds have been in my files since the office was opened 19 years ago. The sad thing is that enforcement efforts, indictments, and publicity have not stemmed the tide.

I can assure you, Congresswoman, that even as I speak, someone is on the phone right now in my office telling an investigator, "I have this postcard I want to ask you about." A staff member must then spend time that could be put to better use by explaining that it is a fraud, that the caller was not singled out for a prize, that the word "guaranteed" has no legal status and that they should not respond.

The only change in the pattern of frauds is that they are adapted to reflect economic conditions. As unemployment rises and credit tightens, we see increased activity in job and credit repair frauds. The guaranteed job opportunity, the guaranteed loan, the guaranteed credit card, and the guaranteed record clearance are among our leading contenders at charges ranging from \$35 to \$2,000. The fact that these take money from unemployed victims who can least afford it makes the crime more despicable.

My department is funded by the city of Detroit and we have no jurisdiction outside the city. We take complaints by mail, phone, or

walk-in from any Detroit resident. We also process a complaint from anyone who has made a purchase from a Detroit vendor. At the charge given us by Mayor Coleman Young, we will provide information, publication, and advice to anyone outside our limits who contacts us.

In the 1970's, when we first opened, Federal LEAA grants made it possible for a number of county prosecutor offices to establish the consumer protective divisions and many in our State did so. These divisions died when the funds ran out. Two years ago, the Michigan Consumer Council was closed by budget cuts. There is presently only one other small local consumer protection office in Washtenaw County. This places an enormous burden on my office.

We must then turn to other State and Federal agencies for assistance. Two years ago, a coordinating committee was set up consisting of the Better Business Bureau, State enforcement agencies, and local representatives of the U.S. Postal Service and the U.S. Secret Service. It meets every few months and the exchange of information and advice has been helpful.

We still, however, do not have the full coordination of all Federal agencies, and given the range of fraud, total cooperation is essential. Our greatest asset has been the Detroit-based office of the Postal Service. An employment marketer has been advertising non-existent airline jobs in classified sections of newspaper all over the country outside of Michigan. Because the return address is in Detroit, we get the complaints. Mark Venanzi and his colleagues in the Postal Service are working with us to gather evidence that will put these vultures away. We also exchange information on other frauds.

Jim Huse and his staff in the Secret Service have been very helpful in our consumer education work, particularly in the area of credit card fraud. They cannot, however, enter cases unless there is a considerable monetary loss, and most consumer cases do not fit their category.

We have had only one contact with the FBI and that was not a postal case. They raided the office of a so-called credit repair clinic about 4 years ago but never revealed the outcome to us.

In the testimony sent to this panel by Barbara Gregg, executive director of the Montgomery County Office of Consumer Affairs last May, Ms. Gregg offered a number of recommendations that would tighten up current laws and enforcement potential. I heartily recommend all of her recommendations, certainly the testimony you have just heard from Linda Golodner substantiates much of that. And we again are in complete accord with the recommendations by the National Consumers League.

I have, however, only one problem on the National Fraud Information Center which is an invaluable instrument and one with which we communicate. However, the statistics they generate can only be accessed by computer and my office has no computer.

Congresswoman, if that seems like a plea for Federal support of local consumer agencies, believe me, it is. We do not have the funds to keep up with the electronic age and that is absolutely essential if anyone is to participate, be assisted, or be aided by these new advances.

Public information is our first line of defense. We need not only stricter enforcement, but more open exchange of information and joint efforts between all agencies. The consumers who call us want only to know if the offer they received in the mail is legitimate. We need to know that so that we can reply. If they have been stung, they want restitution first and then vengeance of the civil action in the courts is slow and often too late.

I would hope that the concept of fraud under your consideration will be broadened. The mail is only one avenue. A case can start with a postcard in the mail, followed by a phone call, with the payment by the victim made either through Western Union credit card or a pick-up by a private courier service.

It is for the last reason that Federal Express has begun a program by which a courier can identify a potential victim about to send out a check, and provide information that might discourage the act.

National boundaries do not stop fraud. We have an investment scheme that started on our coast, moved to a Caribbean Island, and is now based in Toronto. An island off the coast of Australia will allow the establishment of a bank for \$150—a wonderful outlet for money laundering. I have attached to my testimony a letter from Nigeria which was sent rather successfully to consumers in several cities.

New communication technology is developing faster than we can keep up with it. Letters sent by mail are being replaced by fax, E-mail, and computer bulletin boards. New techniques bring new potential for fraud. I hope that your body will broaden your mandate to include jurisdiction over these new avenues of communication so that we, in turn, can take proactive rather than reactive measures when our consumers turn to us for help.

Thank you very much.

[The prepared statement of Ms. Shapiro follows:]

PREPARED STATEMENT OF ESTHER K. SHAPIRO, DIRECTOR, DETROIT OFFICE OF
CONSUMER AFFAIRS

Good morning. My name is Esther K. Shapiro, and I am director of the Detroit Consumer Affairs Department, a position I have held since the agency was formed in July 1974. I appreciate the opportunity to testify before this body, and am especially pleased that it is chaired by my own representative from Detroit, the Honorable Barbara-Rose Collins.

I have read the testimony you heard a few months ago, and have been meeting and corresponding with my counterparts in other states. Any case studies I could present would mirror what you already know. Examples of travel, sweepstake, investment and work-at-home frauds have been in my files since the office was opened 19 years ago. The sad thing is that enforcement efforts, indictments and publicity have not stemmed the tide. I can assure you that, as I speak, someone is on the phone right now telling an investigator. "I have this postcard I want to ask you about. * * * Someone then must spend time that could be put to better use by explaining that it is a fraud, that the caller was not singled out for a prize, that the word "guaranteed" has no legal status, and that they should not respond.

The only change in the pattern of frauds is that they are adapted to reflect economic conditions. As unemployment rises and credit tightens, we see increased activity in job and credit repair frauds. The "guaranteed" job opportunity, the "guaranteed" loan, the "guaranteed" credit card and the "guaranteed" credit record clearance are among our leading contenders, at charges ranging from \$35 to \$2,000. The fact that these take money from unemployed victims who can least afford it makes the crime more despicable.

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dent. We will also process a complaint from anyone who has made a purchase from a Detroit vendor. At the charge of Mayor Coleman A. Young, we will provide information, publications and advice to anyone outside our limits who contacts us.

In the 1970's when we first opened, federal LEAA grants made it possible for a number of county prosecutor offices to establish the consumer protective divisions, and many in our state did so. Those offices died when the funds ran out. Two years ago the Michigan Consumer Council was closed by budget cuts. There is presently only one other small local consumer protection office in Washtenaw County. This places an enormous burden on my office.

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We still, however, do not have the full coordination of all federal agencies, and given the range of fraud, total cooperation is essential. Our greatest asset has been the Detroit based office of the Postal Service. An "employment" marketer has been advertising non-existent airline jobs in classified sections of newspapers all over the country, except for Michigan. Because the return address is in Detroit, we get complaints. *Mark Venanzi* and his colleagues in postal are working with us to gather evidence that will put these vultures away. We also exchange information on other frauds.

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We have had only one contact with the FBI, and that was not a postal case. They raided the office of a so-called credit repair clinic about four years ago, but never revealed the outcome.

In the testimony sent to this panel by *Barbara Gregg*, Executive Director of the Montgomery County Office of Consumer Affairs last May, Ms. Gregg offered a number of recommendations that would tighten up current laws and enforcement potential. I heartily endorse all her recommendations, *Linda Golodner*, President of the National Consumer League, who has just appeared before you, described the enormous information gathering project set up by the National Fraud Information Center. I have only one problem. The statistics can only be accessed by computers, and my office has no computer.

Public information is our first line of defense. We need not only stricter enforcement, but more open exchange of information and joint efforts between all agencies. Those who call us want only to know if the offer they received in the mail is legitimate. We need to know that so that we can reply. If they have been stung, they want restitution first, then vengeance. Civil action in the courts is slow, and often too late.

I would hope that the concept of fraud under your consideration will be broadened. The mail is only one avenue. A case can start with a postcard in the mail, followed by a phone call, with the payment by the victim made either through Western Union, credit card, or pick-up by a private courier service. It is for the last reason that Federal Express has begun a program by which a courier can identify a potential victim about to send out a check, and provide information that might discourage the act.

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New communication technology is developing faster than we can keep up with it. Letters sent by mail are being replaced by fax, E-mail and computer bulletin boards. New techniques bring new potential for fraud. I hope that your body will broaden your mandate to include jurisdiction over these new avenues, so that we in turn can take proactive rather than reactive measures when our consumers turn to us for help.

LAGOS, NIGERIA, JANUARY 10, 1993.

Attention: CHIEF EXECUTIVE.

DEAR SIR: It is my pleasure contacting you for a worthy business. I got your contact address through a friend of mine who hails your country this my friend holds

you at high esteem because of your transparent honesty and sincerith. Based on this, I wish to propose this business windfall which is of mutual benefit to both of us (both side).

I hold the post of chief accountant with the Nigeria National Petroleum Corporation (NNPC). I was mandated to seek your assistance and permission to transfer some money into your bank account. The money involved is US\$49,000,000 (Forty nine million U.S. dollars), this money was extracted from overbills we prepared for some foreign and local firms that executed contracts for my corporation (NNPC) few years back. Those firms have been settled their payments in full while this excess of US\$49,000,000 (Forty nine million U.S. dollars) is still in our surplus account to be disbursed into any foreign company's account of our choice. It was on this promise that I was mandated to write to you since you are a trust worthy fellow.

It may also interest you to know that the controller of foreign exchange transfer department, Alhaji Bello Adamu of Central Bank of Nigeria (CBN) is my partner in this business. Be aware that all necessary documentation to effect the transfer of this money into your account overthere will be done by us locally here.

All that we require from you now is to confirm your interest in this business after which we shall arrange for a meeting to reach certain legal agreements to protect each others interest when the money gets in your bank account.

We expect you to keep this business highly confidential. We have agreed that this money gets into your bank account, 30% will be yours, 60% is for us while 10% is for such expenses to be incurred during the transfer processes.

This transfer is expected to last for only three working weeks after you have confirmed your interest and we hold the meeting in Nigeria as it is very important before the business takes off.

Always contact me on fax no. 234-1-2669943 or 234-1-2640016.

I expect to hear from you soon.

Regards.

Yours sincerely,

DR. PRINCE MICHEAL NWOFFIA.

Miss COLLINS. Thank you, Ms. Shapiro. Tell me, are all local consumer agencies locally financed.

Ms. SHAPIRO. Those that are city agencies—and in Michigan that just means one—we are funded by the city of Detroit.

Miss COLLINS. Are you the only one in the State of Michigan?

Ms. SHAPIRO. The only one that is left. There is a small agency in Washtenaw County which works closely with the Better Business Bureau. I believe they are county funded. There are consumer protection divisions in one or two prosecutor's offices, but they tend to be small and they usually tell consumers we are busy chasing murderers and heavy work, why don't you go to court and sue? And most consumers can't do that.

Miss COLLINS. And there is a Michigan Consumers Agency, the State, right?

Ms. SHAPIRO. Michigan Consumer Council was closed in a budget cut 2 or 3 years ago.

Miss COLLINS. Did you participate in Ms. Golodner's retreat?

Ms. SHAPIRO. I did, and it was extremely valuable.

Miss COLLINS. Were you able to make your plea for interagency cooperation?

Ms. SHAPIRO. Actually, the kind of conference, the kind of work done by the National Consumer League has been very helpful, but I think that we need a broader central clearinghouse to which we could feed and from which we could gain information.

The major outlet we have now and the major assistance we have now is through the Fraud Information Center and through the National Consumer League. There are other agencies. For example, National Association for Consumer Affairs Administrators, NACAA, which is an organization of people like myself who head consumer agencies has also been a wonderful network and a good

clearinghouse, but a lot is missed. A lot falls through the cracks because we cover different jurisdictions, because the ability to pick up information can sometimes be pretty well scattered.

Miss COLLINS. I am appalled in this day and age with the need so great that there is only one local consumer agency in Michigan.

Ms. SHAPIRO. We are considered a nice fringe benefit, but when government agencies are hurting and other major government services are cut, we are not considered as essential. Actually, I think the monetary loss in the kind of crime we see mostly due to lack of information, would be as great as that that comes from other more violent crimes.

I think it is because we are not subject to violent crimes makes it less reactive in terms of government support. That really is not true. There are people who die because of what happens to them.

Miss COLLINS. Absolutely. Absolutely. Taking the livelihood of people. The horror stories with senior citizens losing every penny they have in savings. They get bills and they pay their bills. Even though they are fraudulent invoices, they appear to be invoices.

And Ms. Golodner, are there any national agencies that you know of that are funded, governmentally funded?

Ms. GOLODNER. National consumer agency? U.S. Office of Consumer Affairs is a national consumer agency, but it doesn't receive complaints such as we are talking about the local consumer agencies.

Miss COLLINS. I was just wondering if there was some way with the budget cuts that the President is asking for trying to lower the Federal deficit. This asking for funding for local consumer groups will go over like a lead balloon, but I was wondering if there was some mechanism by which local consumer agencies could be financed or at least get your computer. I mean, we do have some of those floating around. We will put our thinking cap on. Thank you very much.

Next, we will hear from Cynthia Carter, Tennessee attorney general's office, NAAG.

STATEMENT OF CYNTHIA CARTER, TENNESSEE ATTORNEY GENERAL'S OFFICE/NAAG

Ms. CARTER. I am Cynthia Carter. I am the assistant attorney general for the consumer protection agency of the Tennessee attorney general's office. I am here on behalf of Attorney General Charles W. Burson, who is president-elect of the National Association of Attorneys General. He is also the chair of the NAAG/FTC working group.

I am a member of the NAAG executive committee of the telemarketing fraud task force. Specifically, I am the chair of the Federal/State relations subcommittee for the telemarketing fraud task force. I also represent Tennessee on the Federal Department of Justice Telemarketing Fraud Working Group.

I thank you for the opportunity to speak with you briefly this morning on behalf of General Burson who regrets that his schedule would not allow him to be here today.

State attorneys general have played a legitimate and active role in combating mail and telemarketing fraud. As you know, much of telemarketing fraud includes the use of mail in the commission of

the fraud. State attorneys general actively and aggressively enforce unfair and deceptive trade practice laws against fraudulent telemarketers. In fact, collectively, over 150 cases have been brought against telemarketers by State attorneys general since 1987.

Due to the mobile nature of these operations, States have regularly worked together to combat mail and telemarketing fraud. Historically, the States have worked most often with the Federal Trade Commission when teaming with Federal agencies to battle telemarketing fraud. Recently, thanks in part to leadership of Chairman Steiger and the NAAG/FTC working group, the spirit of cooperation and coordination is becoming more commonplace between States and the Federal Trade Commission.

Building upon this cooperative spirit, we were pleased in November 1992 when the Department of Justice Telemarketing Fraud Working Group invited the States to participate in their group.

As a representative of the States, I along with Emmitt Carlton of the staff of the NAAG have been participating in the quarterly meetings of that working group. It is apparent that that working group is carrying forward the attitude of coordination and cooperation that is developing among the Federal agencies and in State and Federal regions as we combat telemarketing fraud.

In recognition of significant consumer injury caused by telemarketing fraud, in March of this year, the National Association of Attorneys General passed a resolution addressing telemarketing fraud. This resolution created the NAAG telemarketing fraud task force. Thus far, 34 States have volunteered to participate in the telemarketing fraud task force.

This task force is broken down into a number of subcommittees which focus on areas such as coordinating multi-state litigation, addressing legitimate and illegitimate means and instrumentalities used to further these fraudulent schemes, monitoring and drafting Federal and model State legislation, educating consumers, coordinating and establishing Federal/State working relations, and working with consumer and industry groups. Because telemarketers' schemes are often targeted at the elderly, we also have a special subcommittee dealing with issues effecting the elderly.

Given that telemarketers have worked together to scam millions of consumers each year, we should follow their model and join Federal and State authorities to effectively combat the problem telemarketers. During the Department of Justice Telemarketing Fraud Working Group, Federal authorities, including the Postal Service, directly indicated that they wanted to learn more about what the States were doing in the telemarketing area and that they were seeking out more cooperative activities.

The NAAG/FTC working group and the NAAG Federal/State relations liaison subcommittee of the telemarketing fraud task force organized a formal meeting between appropriate Federal authorities and groups of attorneys general to discuss ways that we can work cooperatively to combat telemarketing fraud.

We invited representatives from the Federal Trade Commission, the Department of Justice, the Federal Bureau of Investigation, U.S. Secret Service, U.S. Postal Inspection Service, and U.S. attor-

neys offices to meet with the NAAG/FTC working group in Chicago at the National Association of Attorneys General meeting.

On July 9, 1993, the meeting was successfully held and all the invited Federal agencies, including the Postal Inspection Service, eagerly came to discuss how State and Federal authorities can better work together to battle telemarketing fraud. I believe that meeting signaled the beginning of a new nationwide cooperative effort between State attorneys general and Federal authorities across the board working together to battle telemarketing fraud.

In fact, at that meeting, we committed to have regional meetings hosted by the NAAG telemarketing fraud task force, Federal/State liaison subcommittee, and the Federal Trade Commission beginning with the Atlanta FTC regional office in November.

In Atlanta, representatives from Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia State attorneys general offices and Federal authorities responsible for those areas will be invited to meet to discuss how to improve Federal/State coordination and cooperation of the telemarketing fraud battle in their region.

We believe that we will have participation from all the Federal agencies that attended the Chicago meeting including the Postal Inspection Service. The goal is to conduct meetings in all 10 regional offices by April 1994. We urge this subcommittee to provide the necessary funding to permit the Postal Inspection Service and other Federal authorities to attend these crucial regional meetings and to participate in following activities.

We hope to hold these meetings on a regular basis to facilitate and foster the sharing of information, the conducting of joint investigations and prosecutions of telemarketing fraud, the joint training of Federal and State staff committed to battling telemarketing fraud and the coordinating of consumer education to prevent consumer injury.

As we know, telemarketers have very effectively worked together to steal from millions of American consumers. Now, Federal and State authorities must work together to combat fraudulent telemarketers by joining our resources, skills, and enforcement powers to battle the biggest consumer problem in America.

The State attorneys general, through the National Association of Attorneys General, have worked with the FTC to establish an electronic database designed to expedite the exchange of consumer complaint information as well as law enforcement comments and data.

As technology continues to develop, the implementation of a workable electronic network among law enforcement officials becomes crucial. We applaud the National Consumer League for regularly inputting complaint information received by its National Fraud Information Center through its consumer assistance service.

We encourage all Federal agencies, including the Postal Service, to participate in such a centralized database and to commit resources to input data into the system to aid in the detection and prevention of fraud. We also urge you to provide financial support for this centralized database. Telemarketers have been successfully sharing their target lists for years. We must share our victim and

other enforcement information among Federal and State authorities to best use our enforcement powers.

Enforcement actions alone will never be sufficient to remedy the injury caused by fraudulent telemarketers. Effective consumer education is essential if injury is to be prevented on the front end. The Postal Service dramatically demonstrated the type of contribution it can make through consumer education by its postcard educational program. This creative consumer education program which targeted those most in need of its message, was applauded by General Burson at our Chicago meeting.

In summary, clearly we must work together to creatively tackle the momentous telemarketing fraud problem. I urge this committee to continue to support and fund ingenious programs such as Operation Disconnect and the Postal Service's postcard educational program. These efforts were high points this year in the Federal battle against fraudulent telemarketing. Necessary funding for Federal and State authorities to meet regularly to provide the opportunity for us to tackle telemarketing fraud together must be provided.

Finally, we urge Congress to pass strong telemarketing fraud legislation that will provide for even more effective Federal/State enforcement actions against fraudulent telemarketers. I thank you for this opportunity to voice our hope that Federal and State authorities can work together to combat telemarketing fraud, including mail fraud, so that the consumers will be the big winners and the fraud operators the big losers.

[The prepared statement of Ms. Carter follows:]

PREPARED STATEMENT OF CYNTHIA CARTER, TENNESSEE ATTORNEY GENERAL'S
OFFICE/NAAG

Madam Chairwoman and members of the subcommittee, I am an Assistant Attorney General in the Consumer Protection Division of the Tennessee Attorney General's Office. I am here on behalf of Attorney General Charles W. Burson who is President-Elect of the National Association of Attorneys General and Chair of the NAAG/FTC Working Group. I am a member of the NAAG executive committee of the Telemarketing Fraud Task Force. Specifically, I am the chair of the federal/state relations subcommittee for the telemarketing fraud task force. I also represent Tennessee on the federal Department of Justice Telemarketing Fraud Working Group. I thank you for the opportunity to speak with you briefly this morning on behalf of General Burson, who regrets that his schedule would not allow him to be here today.

State Attorneys General have played a legitimate and active role in combatting mail and telemarketing fraud. As you know much of telemarketing fraud includes the use of mail in the commission of the fraud. State Attorneys General actively and aggressively enforce unfair and deceptive trade practices laws against fraudulent telemarketers. In fact, collectively over 150 cases have been brought against telemarketers by State Attorneys General since 1987. Due to the mobile nature of these operations states have regularly worked together to combat mail and telemarketing fraud. Historically, the states have worked most often with the Federal Trade Commission when teaming with federal agencies to battle against telemarketing fraud. Recently, thanks in part to the leadership of Chairman Steiger and the NAAG/FTC Working Group, the spirit of cooperation and coordination is becoming more commonplace between the states and the Federal Trade Commission.

Building upon this cooperative spirit, we were pleased that in November of 1992, the Department of Justice Telemarketing Fraud Working Group invited the states to participate in their working group. As a representative of the states, I along with Emmitt Carlton of the staff of the National Association of Attorneys General have been participating in the quarterly meetings of that working group. It is apparent that the working group is carrying forward the attitude of cooperation and coordination that is developing among the federal agencies and in state and federal relations as we combat telemarketing fraud.

In recognition of significant consumer injury caused by telemarketing fraud, in March of 1993 the National Association of Attorneys General passed a resolution addressing telemarketing fraud. (Attached as an exhibit to this testimony.) This resolution created an NAAG Telemarketing Fraud Task Force. Thus far, 34 states have volunteered to participate in the Telemarketing Fraud Task Force. This task force is broken down into a number of subcommittees which focus on areas such as: coordinating multistate litigation, addressing legitimate and illegitimate means and instrumentalities used to further these fraudulent schemes, monitoring and drafting federal and model state legislation, educating consumers, coordinating and establishing federal/state working relations and working with consumer and industry groups. Because telemarketers' fraudulent schemes are often targeted at the elderly we also have a special subcommittee dealing with issues effecting the elderly.

Given that telemarketers have been working together to scam millions of consumers each year, we should follow their model and join federal and state authorities together to more effectively combat the problem telemarketers. During the Department of Justice Telemarketing Fraud working group, federal authorities including the Postal Service directly indicated that they wanted to learn more about what the states were doing in the telemarketing area and that they were seeking out more cooperative activities. The NAAG/FTC Working Group and the NAAG federal/state Relations Liaison Subcommittee of the Telemarketing Fraud Task Force organized a formal meeting between appropriate federal authorities and groups of Attorneys General to discuss ways that we can work cooperatively to combat telemarketing fraud. We invited representatives from the Federal Trade Commission, the Department of Justice, the Federal Bureau of Investigation, U.S. Secret Service, United States Postal Inspection Service and United States Attorneys Office to meet with the NAAG/FTC Working Group at the Chicago meeting of the National Association of Attorneys General.

On July 9, 1993, the meeting was successfully held and all of the invited federal agencies including the postal inspection service eagerly came to discuss how state and federal authorities can better work together to battle telemarketing fraud. I believe that meeting signalled the beginning of a new nationwide cooperative effort between State Attorneys General and federal authorities across the board working together to battle telemarketing fraud. In fact at that meeting, we committed to have regional meetings hosted by the NAAG Telemarketing Fraud Task Force federal/state liaison subcommittee and the Federal Trade Commission beginning with the Atlanta FTC regional office in November.

In Atlanta, representatives from Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee and Virginia State Attorneys' General offices and federal authorities responsible for these areas will be invited to meet to discuss how to improve federal/state coordination and cooperation of the telemarketing fraud battle in their region. We believe that we will have participation from all the federal agencies that attended the Chicago meeting including the postal inspection service. The goal is to conduct meetings in all 10 regional offices by April of 1994. We urge this subcommittee to provide the necessary funding to permit the postal inspection service and other federal authorities to attend these crucial regional meetings and to participate in following activities.

We hope to hold these meetings on a regular basis to facilitate and foster the sharing of information, the conducting of joint investigations and prosecutions of telemarketing fraud, the joint training of federal and state staff committed to battling telemarketing fraud and the coordinating of consumer education to better prevent consumer injury. As we know telemarketers have very effectively worked together to steal from millions of American consumers, now, federal and state authorities must work together to combat fraudulent telemarketers by joining our resources, skills and enforcement powers to battle the biggest consumer problem in America.

The State Attorneys General through the National Association of Attorneys General have worked with the FTC to establish an electronic database designed to expedite the exchange of consumer complaint information as well as law enforcement comments and data. As technology continues to develop, the implementation of a workable electronic network among law enforcement officials becomes critical. We applaud the National Consumer League for regularly inputting complaint information received by its National Fraud Information Center through its consumer assistance service. We encourage all federal agencies including the postal service to participate in such a centralized database and to commit resources to input data into the system to aid in the detection and prevention of fraud. We also urge you to provide financial support for this centralized database. Telemarketers have been successfully sharing their target lists for years. We must share our victim and other

enforcement information among federal and state authorities to best use our enforcement powers.

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In summary, clearly we must work together to creatively tackle the momentous telemarketing fraud problem. I urge this committee to continue to support and fund ingenious programs such as Operation Disconnection and the postal service's postcard educational program. These efforts were high points this year in the federal battle against telemarketing. Necessary funding for federal and state authorities to meet regularly to provide the opportunity for us to tackle telemarketing fraud together must be provided.

Finally, we urge Congress to pass strong telemarketing fraud legislation that will provide for even more effective federal/state enforcement actions against fraudulent telemarketers. Thank you for this opportunity to voice our hope that federal and state authorities can work together to combat telemarketing fraud including mail fraud so that the consumers will be the big winners and fraud operators the big losers.

NATIONAL ASSOCIATION OF ATTORNEYS GENERAL

ADOPTED AT SPRING MEETING, MARCH 28-30, 1993, WASHINGTON, D.C.

RESOLUTION ON TELEMARKEETING FRAUD

Whereas, telemarketing fraud continues to be a major national problem, costing consumers billions of dollars annually; and

Whereas, from a single location, fraudulent telemarketers are able to victimize consumers located throughout the country; and

Whereas, among the most common fraudulent schemes is the use of "prize promotions" to lure consumers into buying grossly overpriced and unwanted merchandise over the telephone; and

Whereas, some fraudulent telemarketing is directed at vulnerable populations, especially senior citizens, who are often victimized more than once by one or more telemarketers; and

Whereas, fraudulent telemarketers often use "legitimate" vehicles through which to obtain payment from consumers, including credit card charges, unsigned demand drafts, electronic funds transfers, and pickups of personal checks at consumers' homes by common carriers, and often use merchant accounts other than their own to factor credit card charges resulting in losses to financial institutions and consumers alike; and

Whereas, state Attorneys General, who are among the principal enforcement officials attempting to curb telemarketing fraud, have been critically hampered in their ability to reduce telemarketing fraud by the artificial constraints of jurisdictional boundaries, by the absence of any forum in which to obtain multistate relief, by inadequate procedural mechanisms to achieve coordination among the states and with federal agencies, and by a lack of adequate resources; and

Whereas, Congress is considering legislation such as H.R. 868, the Consumer Protection Telemarketing Act, and S. 568, the Telemarketing and Consumer Fraud and Abuse Prevention Act, both of which were drafted to allow state Attorneys General to enforce, in federal court, a Federal Trade Commission (FTC) Rule proscribing fraudulent telemarketing;

Now, therefore, be it

Resolved, That the National Association of Attorneys General:

1. Urges Congress to adopt federal legislation such as H.R. 868 and S. 568, which would allow state Attorneys General to enforce a federal telemarketing Rule in federal court as quickly as possible;

2. Urges that such legislation authorize state Attorneys General to (a) obtain nationwide injunctive relief and consumer restitution on behalf of the residents of all states whose Attorney General has authorized said Attorney General to seek such relief and (b) obtain civil penalties and fees and costs;

3. Directs the Attorneys General who serve on the NAAG-FTC Working Group to work with the FTC to help ensure the promulgation of a strong and effective administrative Rule which provides, among other things, that it shall be a violation

of the Rule for any telemarketer to represent to a consumer that the consumer is a "winner" or has been "selected" or is otherwise being included in a select group for receipt of a prize or an opportunity or that a person is entering a "contest," "sweepstakes," "drawing," or other competitive enterprise from which a winner or select group of winners will receive a prize or opportunity when, in fact, the enterprise is a promotional scheme designed to make contact with prospective customers and all or a substantial number of those "entering" receive the same "prize" or "opportunity";

4. Directs the Consumer Protection Committee Chair to appoint a Telemarketing Fraud Task Force charged with the following mission:

Develop and implement specific strategies to address the use of credit cards, unsigned demand drafts, electronic funds transfers, common carrier pickups and other "legitimate" means of effecting payment from consumers to fraudulent telemarketers;

Coordinate the dissemination of information concerning fraudulent telemarketers among state Attorneys General and the FTC, increasing investigations and legal actions against fraudulent telemarketers as well as coordinating these efforts with similar efforts by other state and federal agencies;

Encourage coordination and communication between federal criminal law enforcement agencies and state Attorneys General in specific enforcement actions and operations;

Coordinate efforts with the FTC Working Group regarding the development of protocol and procedures for joint federal/state information sharing, training and enforcement initiatives;

Devise strategies to address the particular problem of fraudulent telemarketing directed at senior citizens, including coordination of federal, state and local law enforcement efforts, and encourage development of federal and state legislation enhancing civil and criminal penalties for deceptive telemarketing targeted at the elderly; and

Encourage development of federal legislation to appropriate funds for innovative state programs designed to combat telemarketing fraud and state and local enforcement of civil and criminal statutes against deceptive telemarketers; and federal credit card factoring legislation making the factoring of a credit card draft by anyone other than the merchant a criminal felony offense and extending the definition of "mail" to private mail carriers for the purposes of enforcement of federal mail fraud statutes.

5. Authorizes the Executive Director and General Counsel to transmit these views to Members of Congress, the Federal Trade Commission, other federal and state enforcement agencies, industry groups, and to other interested parties.

Miss COLLINS. Thank you very much. I thank you for including the resolution from your meeting and it seems as though this is something new coming together. July 9, 1993, was what? Last week?

Ms. CARTER. Yes, it was.

Miss COLLINS. Better late than never. Is this same type of co-operation going on across the country or is the one in Atlanta the first?

Ms. CARTER. I think what we found in Chicago is that there is eagerness across the country, and what we needed to do was to pick a place to start and so Atlanta is our beginning point. And we have tried to set a goal by April to have literally, across the country, similar meetings so we can all meet face to face to talk about what we can do about telemarketing.

Miss COLLINS. You stated that your organization established a special subcommittee to deal with the elderly with issues affecting the elderly. Could you briefly describe the activities of the subcommittee, and do you contemplate establishing any other subcommittees to deal with specific groups?

Ms. CARTER. That subcommittee is somewhat of an outgrowth of another subcommittee on elderly issues that Attorney General Butterworth from Florida has been very involved with. And basically what happened, it was fairly clear from a number of statistics

that the elderly, for whatever reason, are targeted and also are heavily impacted by telemarketing fraud.

That working group is looking at things from consumer education that can target that group, also the Arkansas Attorney General has been real active in discussing enhanced penalties when a victim is the elderly.

Miss COLLINS. Increased penalties?

Ms. CARTER. Increased penalties. For instance, civil penalties that are greater if your victim is a senior citizen. And they have been actively working on that. As far as whether we will have other committees for other targeted victims, I think that as you can tell, we are just getting started with the resolution in March, and I think that the task force has been created to be flexible so that as we see problems arise, we are going to have to be fluid because, clearly, these scam artists are very quick to learn new methods and we are going to need to be prepared to create subcommittees to deal with the new issues as they come up.

Miss COLLINS. Please describe your procedure for determining whether there are other existing complaints against a fraudulent promoter?

Ms. CARTER. First, I can say that the NAAG/FTC data base is a very important improvement in which the National Consumer League inputs into. On a State level, we contact our consumer affairs office to find out what kind of complaints they have.

The other thing we can do on a State level is we have an E-mail system. I can send out an E-mail message to the States on the system saying, "Do you have a problem with this company? We have this problem."

We also will use faxes, the standard letter, write a letter to a group of people saying, you know, write me back if you have a consumer complaint. The nice thing about the data base, it is quicker than that process. And then there is the old-fashioned phone calls, and that is other way we can deal also with the Federal agencies, we can write them letters and send them faxes and we can call them.

We hope that these meetings coming up will help speed that process, because one of the problems, as I am sure you are aware, when you try to get information, you can get passed around to seven or eight people before you get to the right party. And by meeting one another and getting to where you know each other, at least you will have someone to call that can help you get the right person quicker.

Miss COLLINS. What about that FTC data base?

Ms. CARTER. There are about 30-some-odd States that are participating in that and we have access to it, and one of the great things is not only can we get complaint information, but we can also find out—since we are a law enforcement authority, we can find out if other agencies have inputted that they are investigating that company so that we can coordinate our resources.

I think it is going to be invaluable because the bottom line is, we need to know who is working on what so that we can share the information and we are looking at the same people.

Miss COLLINS. It seems clear to me, because you have to use so many different avenues to get information, that this database will

only become as good as the information that the fraud victims and the other agencies feed into the database.

Ms. CARTER. That is true.

Miss COLLINS. Because if you are still having to call around and send faxes and E-mail, the database can become an all-encompassing informational source if everyone can get in the habit of feeding in. It reminds me of the—is it TRW and Equifax. If we could become as sophisticated in gathering data as, say, the credit reporting bureaus are, and I know they are not always accurate, but they have voluminous files on individuals. If you can get the database that encompassing, then perhaps we will have a chance.

Ms. CARTER. Obviously, as more of us participate in it, information will be, as you are saying, larger which will even be more helpful.

Miss COLLINS. That is right. Thank you very much.

Our next panelist is Stephen Jones, vice president of law and policy, Better Business Bureau. Welcome.

STATEMENT OF STEPHEN JONES, VICE PRESIDENT, LAW AND POLICY, BETTER BUSINESS BUREAU

Mr. JONES. Thank you very much, Madam Chairwoman. My name is Stephen Jones. I am vice president of law and policy at the Council of Better Business Bureaus, and I am pleased to be invited to testify before this subcommittee on the Better Business Bureau processes for handling complaints in matters of mail and other types of fraud commonly encountered in Better Business Bureau work.

Better Business Bureaus are private, independent, nonprofit organizations funded by over 500,000 business members, large and small, throughout the United States.

We were first formed in 1912 to combat false advertising and have grown into organizations that are uniquely capable of handling and resolving consumer complaints and of providing prepurchase information on the reliability of businesses to millions of consumers annually.

In 1992, bureaus fielded over 9.2 million inquiries on the reliability of businesses and handled over 1.7 million complaints.

Our activity as a prepurchase source of information about businesses, offers, and promotions, what have you, is a major source of information about fraud for both the public and the Government agencies with which Better Business Bureaus often cooperate. Many inquiries come from consumers who have been approached by phone or through the mail by companies or individuals they do not know with wonderful sounding offers.

The BBB is often the first source they turn to for information. In fact, the Roper study a couple years ago showed that we ranked highest with consumers as the most helpful organization to deal with consumer problems. It is from these inquiries that BBBs often first get wind of a potential scam.

Once the bureau learns of a new or dubious promotion from public inquiries or other sources, it tries to find out more about it, starting with the promoters themselves, and continuing with inquiries of other Better Business Bureaus and the government agency if the company isn't forthcoming or their principals have run

afoul of the law. The BBB's report those facts as part of their regular business reporting program.

It is these records that are read or sent to millions of inquirers as a warning of frauds such as advance fee loan offers, bogus vacation certificates and worthless employment services.

Complaint handling, on the other hand, while very important to BBB activity, does not in itself greatly effect fraud. Certainly, we learned a great deal about fraud from receiving complaints and trying to resolve them, but most complaints, however, we receive, result from disagreements between consumers and legitimate businesses.

The perpetrators of fraud are not likely to respond to complaints much less resolve them. Although there are instances when the scammer may believe that he can keep the Better Business Bureau off his back, for example, and will refund the money he has taken from the consumer, who has complained to the BBB and no one else.

Nevertheless, the fact that we helped some victims get their money back does not deter or even delay the BBB from exposing fraud to the public and to law enforcement agencies.

Being a private organization, dedicated to self-regulation, BBB's give consumers and businesses, both members and nonmembers help, encouragement to settle problems without resorting to law enforcement agencies and the Courts. This dedication to self-regulation does not, however, foolishly extend to scammers and other law breakers.

BBB staff members, based on years of familiarity with frauds, can often detect something fishy about a new promotion simply from the pitch used on the consumer. Once they do, they will begin an investigation process that includes information sharing through the network of over 150 Better Business Bureaus and branches in the United States, consulting with State and local law enforcement agencies and regulators, and if warranted, consulting with Federal agencies such as the FTC, the IRS, the SEC, or the Food and Drug Administration.

Better Business Bureaus will also conduct their own investigations which can include shopping of promotions. For example, a better business employee or volunteer posing as a potential customer for an investment fraud or a multi-level fraud or other kinds of get-rich-quick schemes which we see every day.

Also of great value to us is the interviews that we will do with victims or potential victims of frauds to find out exactly what is being pitched to them and how the pitches work. Not being a government agency, we don't have the subpoena powers or investigative tools that are available to them. Nevertheless, BBB's record over the years of exposing scams to the public and bringing them to the attention of law enforcement is one of which we are proud.

There are basically two ways BBB's historically have worked with law enforcement and regulatory agencies, first being personal relationships and the second being structured communication. The more common, by far, is to establish and nurture personal relationships between BBB staff and management and government agency counterparts.

Though the government agencies, of course, are limited by law in what they can divulge to private parties about investigations, and we are certainly a private party, there have been many instances of highly successful cooperation and trust between BBB's and Government.

For example, the recent FBI Operation Disconnect began in Salt Lake City after the Salt Lake City, UT, and Idaho Falls, ID, Better Business Bureaus uncovered some scammers operating in their areas. The Better Business Bureau cooperated with the FBI to the point of creating a phony file on the FBI's sting company and it was a great success, obviously.

In that case, the Salt Lake City Better Business Bureau president has had a long-standing relationship with the local FBI office to the point where there was an agent in charge, there was always an agent who was assigned to be the liaison with the Better Business Bureau in Salt Lake City.

Another example is within the last 2 weeks. The FBI seized operations of a phone job scam in the Orlando area. The perpetrator had set up fake Better Business Bureaus in his area to which he referred doubting customers. The Orlando Better Business Bureau and the Council of BBB's were instrumental in working with the FBI and local law enforcement agencies in Volusia County, FL, to bring this to a successful conclusion.

The agencies which, to our knowledge, were unaware of this scam until we told them about it because they were mostly preying on Canadians. While it would not be fair to draw broad conclusions from the necessarily anecdotal experience of Better Business Bureaus, they are all separate organizations with separate people.

We do see patterns of BBB relationships with government agencies. Over the years, many BBB's have reported a particularly cooperative experience with the U.S. postal inspectors. Many have felt they are the most responsive Government agents with whom they work.

Another example is the Federal Trade Commission. Many Bureaus have expressed the belief that relations with the FTC have improved significantly over the last year or so. After a long period of apparent lack of Commission interest in scams identified by the Better Business Bureaus, the FTC fraud data bank notwithstanding.

Rarer than the person-to-person relationships, but very effective, is a structured relationship BBB's have built up with law enforcement agents. The Houston, TX, BBB since the middle 1970's, has had meetings attended by representatives from the Houston Police Department, Harris County attorneys, U.S. Immigration and Naturalization Service, FBI, Department of Labor, and it goes on and on.

These regular monthly meetings have proved invaluable to the BBB and to the agencies in helping the efficient coordination in stemming frauds. This plan has been replicated from several bureaus quite successfully.

As a private organization with so many years of experience in exposing scams and frauds, the Better Business Bureaus are anxious to support changes and actions that would result in costly criminal activity.

Our experience has shown that where individuals at the BBB's and law enforcement agencies develop strong, trusting working relationships or where the relationships are more institutionalized, a great deal of good can result. We would urge, therefore, even greater cooperation and information exchange among those of us in the public and private sectors who daily see the unhappy effects of fraud.

Our experiences led us to conclude that regular, broadly inclusive forums of some kind, structured so as not to compromise confidential investigations, be encouraged where they exist and instituted where they do not. Today's global economy, where scams know no boundaries and swindles literally with the speed of light, we cannot afford the luxury of not sharing information with efforts of others with like missions.

Thank you.

[The prepared statement of Mr. Jones follows:]

PREPARED STATEMENT OF STEPHEN JONES, VICE PRESIDENT, LAW AND POLICY,
BETTER BUSINESS BUREAU

Madam Chairman and members of the Subcommittee, my name is Stephen Jones, I am vice president for Law & Policy at the Council of Better Business Bureaus. I am pleased to be invited to testify before this subcommittee on the Better Business Bureau process for handling complaints from consumers in matters of mail and other types of frauds commonly encountered in Better Business Bureau work.

In order to better understand the process of Better Business Bureau handling of fraud and other complaints, I think it would be helpful to briefly describe the nature of the Better Business Bureau system.

First and foremost, Better Business Bureaus are private, independent, non-profit businesses, large and small throughout the United States. First formed in 1912 to combat false advertising, BBBs, have grown into an organization that is uniquely capable of handling and resolving consumer complaints and of providing prepurchase information on the reliability of businesses to millions of consumers annually. There is no other organization in this country, neither public nor private, that provides these services nationwide.

The Council of Better Business Bureaus is the umbrella organization for the 153 Better Business Bureaus and branches in the U.S. Local Bureaus are our members, as are national corporations. As owner of the trademark "Better Business Bureau," the Council of BBBs sets standards for the operation of member BBBs, but does not oversee their day-to-day operations. Each Bureau is an independent, non-profit organization governed by its own board of directors and funded by membership dues.

Handling inquiries and complaints from consumers is a major activity of Better Business Bureaus. In 1992 Bureaus fielded over 9.6 million inquiries about the reliability of businesses and handled over 1.7 million complaints.

The Better Business Bureaus' activity as a pre-purchase source of information about businesses, offers and promotions is a major source of information about fraud for both the public and the various government agencies with which they often cooperate.

As I noted earlier, BBBs receive millions of inquiries every year from consumers. Many of these come from folks who are made offers over the telephone or through the mail that sound wonderful—frequently too good to be true—but that come "out of the blue" from someone or some company they have never heard of. It is usually to the BBB that such consumers will first turn for help and information. In fact, a recent study by the Roper Organization ranked the BBB highest with consumers as the most helpful organization to deal with consumer problems.

These inquirers are the BBBs' first line eyes and ears. When a Bureau starts getting inquiries about a new company or promotion, it tries to develop information on it to provide subsequent inquirers. The Bureau contacts the company seeking basic information about its principals, years in business, nature of business and promotional activity. Bureaus will also routinely check to see if the company is properly licensed and is known to other BBBs and, in apparently questionable promotions, law enforcement authorities. If the company is not forthcoming, the Bureau reports that fact to the public. If the firm or its principals have a record of past trouble

with law enforcement or regulators, that is also included in the Bureaus' public reports.

It is these reports, which are read or sent to the millions of inquirers that act as a tocsin to consumers, warning them of the frauds such as advance fee loan offers, bogus vacation certificates and worthless employment services.

Complaint handling, on the other hand, while a very important BBB activity, is not one that so greatly affects fraud. The complaints Bureaus handle deal largely with disagreements between legitimate companies and consumers. The Bureau complaint procedures make possible the expeditious resolution of these disagreements and in doing so play a vital role in the marketplace.

The perpetrators of frauds, however, are not likely to respond to complaints, much less settle them. What help the complaint process does provide comes about because the fraudulent promoters may think they can delay detection and exposure by, for example, refunding money paid by the individuals who complain to the BBB—considering it a cost of doing business—while keeping the scam operating in hopes of attracting more victims who will not complain to the BBB. In this way individual victims may be helped, the problem is not attacked head on.

The complaint process works like this. Typically a consumer will call to complain to the BBB about a transaction gone sour. The BBB staff will first determine whether the company complained of is in the area served by the Bureau. If it isn't, the caller is referred to the BBB that is in the company's area. If it is, the caller is sent a complaint form (I have included a sample form with this testimony) which asks for particulars of the complaint and the resolution the consumer seeks.

When the Bureau receives the completed form it forwards it to the company complained of seeking its side in the dispute and encouraging a resolution. Most companies respond and most complaints—over 65%—are settled to the parties's satisfaction. In many instances, where complaint is not easily resolved, the Better Business Bureau will offer no-cost mediation or arbitration under special BBB alternate dispute resolution programs.

Having been founded on, and being dedicated to, the principle of self-regulation, BBBs give the businesses, both members and non-members, help and encouragement to settle consumer problems without resort to law enforcement agencies and the courts. This dedication to self-regulation does not, however, foolishly extend to unlawful activities by businesses and promoters, who, as noted earlier, usually are not likely to cooperate in the self-regulatory process anyway.

Better Business Bureau staff members over the years have become all too familiar with the scam artists and unethical promoters who prey on a sometimes unsuspecting or uninformed public. In fact, we believe that most often it is the Better Business Bureau that is the first to identify the fraudulent schemes that continue to proliferate both nationally and internationally.

It is common for experienced Bureau staff to detect something fishy about a new promotion simply from the pitch used on consumers. In these cases, staff will do what it can to find out as much as possible about it, hoping to bring the scam to light. Bureau staff typically will ask other Bureaus around the country if they know of the promotion throughout the Council published bi-weekly information exchange and computer bulletin board. Simultaneously they will check with and state and local regulators, such as the attorney general, district attorney or securities regulator and, if warranted, will seek information from federal agencies such as the Federal Trade Commission, the IRS or the SEC. Whatever information the BBB can document about a questionable business it will include in its public report.

Besides checking with others as to the background of and experience with a given scheme, the BBB will often conduct their own investigations. These can include "shoppings" of promotions in which, for example, BBB employees or volunteers pose as potential participants in a business opportunity offer that could be an unlawful pyramid scheme and submit to sales pitches in a supposed seminar. Staff also conduct extended interviews with potential and actual victims of the scams. Bureaus, of course, are not government agencies with subpoena powers and other investigative tools. Nevertheless, their record over the years of exposing frauds and scams to the public—and bringing them to the attention of law enforcement agencies—is one of which we are proud.

Decades of BBB experience law enforcement and regulatory agencies have shown that there are two ways the Better Business Bureaus have worked well with law enforcement and regulatory agencies: personal relationships and structured communications. The more common, by far, is to establish and nurture personal relationships between BBB staff and their government agency counterparts. Of course attorneys general, the FBI, the IRS district attorneys and others are severely limited in what they can divulge about investigations to private parties such as the BBB, and we know that. Nevertheless, the existence of myriad examples of highly successful

BBB/agency cooperation and trust clearly indicate that *efficient* cooperation and information sharing make for quick public exposure and prosecution of frauds.

For example, the recent highly successful FBI sting against hundreds of telemarketing fraud boiler rooms, "Operation Disconnect" began in Utah after the BBBs in Salt Lake City and Idaho Falls, Idaho cooperated with the FBI early on in the operation to identify telephone scammers and to help create a believable BBB "file" on the FBI's bogus company. In Salt Lake City, the BBB president William Beadle, had a longstanding relationship with the FBI office. In fact, for several years there had been an FBI agent assigned to keep in regular contact with the BBB.

Within the past two weeks, the FBI seized the operations of an individual in the Orlando, Florida, area who was running a phony job scam, promising work to carpenters and others who would pay several hundred dollars up front to get nonexistent employment in unnamed Caribbean countries. To give an aura of legitimacy to the fraud, the promoter referred victims, mostly Canadians, to phony Better Business Bureaus he set up in Florida. Of course they gave callers glowing fake BBB reports on his companies. In that case, the Orlando BBB and the Council of BBB's were instrumental in bringing the scam to the attention of the FBI and local law enforcement agencies, which had been unaware of the scam.

Other Bureaus have had similar experiences based simply on the goodwill and common goals of the parties involved. Many BBBs report a particularly cooperative relationship with the Postal Inspection Service. In Dallas, Texas, for example the BBB and USPIS have worked closely over the years to expose and prosecute the promoters of advance fee loan swindles. The Postal Inspectors and Bureau staff have come to exchange helpful information about individuals and companies as a matter of course. In fact, more than a few BBB CEOs have expressed the view that the Postal Inspectors, in general, are the most responsive government agents with whom they deal regularly.

We do to see patterns in BBB relationships with government agencies. For example, a number of Bureaus have expressed the belief that cooperation in some areas with the Federal Trade Commission has improved significantly in the past year or so, after a long period of apparent lack of Commission interest in scams identified by BBBs. It would be unfair, however, to draw any broad conclusions from the generally anecdotal experiences of the BBBs in regard to any one federal or state agency. As I have noted, the relationships between Bureaus and federal, state or local law enforcement agencies often depend on the individuals involved and the relationships they have built up over time.

The structured communications arrangements have, to our knowledge, been initiated by Better Business Bureaus. They have developed from the realization that the best way to coordinate activities that can most efficiently and swiftly put an end to fraudulent schemes is for all those involved to talk to each other on a regular basis.

The Better Business Bureau in Houston, Texas, has the longest running arrangement of this type. Since the mid 1970s, the Bureau president, Mr. Richard McClain, has hosted regular monthly meetings of various agencies whose duties include consumer protection. Attending meetings are representatives from: the Texas Attorney General's office, the Harris County District Attorney, the FBI, the FTC, the Harris County Appraisal District, the Harris County Attorney, the Houston Police Department, the IRS, the Postal Inspector, the Texas State Bar, the State Securities Board, U.S. Customs Service, the U.S. Department of Labor, the INS, the U.S. Probation Office, the Texas Department of Health, the state Department of Licensing and Regulation, the Texas Education Agency, the Texas Real Estate Commission and, representing the private sector, the Better Business Bureau.

These meetings have proved invaluable to all concerned and serve as an excellent example of organizations, both in and out of government, working together to serve the public. Several other Bureaus have replicated the Houston model to varying degrees and have reported great satisfaction with the results; the meetings work. The BBB can present information it has developed on questionable schemes that has just come to their attention and may well be news to government agencies. The BBB may also be able to obtain what information on the identity and nature of scams (that is publicly available) that they can pass along to the public to steer them clear of frauds. Moreover, such structured regular meetings probably make it possible for agencies to coordinate among themselves the actions that are necessary to successfully prosecute fraud and related cases—and use the resources of the BBB in doing so.

While, the Better Business Bureau, is the largest private organization in the U.S. that works to help consumers resolve disputes with business and to avoid being vic-

tims of all kinds of scams and frauds, we, obviously, are not the only private consumer oriented organization working on the problem of consumer fraud.

We are members of the Alliance Against Telemarketing Fraud, and group of industry, non-profit and government representative that primarily work toward educating the public about telemarketing scams.

For the past eleven years we have jointly operated the Investor Alert project with the North American Securities Administrators Association. This is an educational program that issues regular bulletins and other materials warning investors about investment frauds and explaining the often confusing aspects of modern financial instruments and markets.

Another initiative to combat fraud, the Consumer Fraud Information Center, is a worthwhile endeavor. Its activity, however, consists mainly of gathering information from a toll-free number for transfer to the FTC's database and referring potential or actual fraud victims to others for help. The Better Business Bureaus have provided, and still provide, data to the FTC and others, and have been helping millions of consumers with their problems for over 80 years.

As private organizations with so many years of experience in exposing the scams and frauds the Better Business Bureaus are anxious to support changes and actions that would reduce this costly criminal activity.

Our experience has show us that where individuals at the BBBs and law enforcement agencies develop strong, trusting working relationships or where the relationships are more institutionalized, a great deal of good can result.

We would urge, therefore, even greater cooperation and information exchange among those of us in the public and private sectors who daily see the unhappy effects of fraud. Our experience leads us to conclude that regular, broadly inclusive forums of some kind—structured so as not to compromise confidentiality of investigations—be encouraged where they exist and instituted where they do not.

In today's global economy where scams know no boundaries and swindles spread literally with the speed of light, we cannot afford the luxury of not sharing our information and efforts with others with like missions.

Miss COLLINS. Thank you very much. How is the Better Business Bureau financed or funded?

Mr. JONES. Each local Better Business Bureau is a separate non-profit and is funded almost exclusively by the membership dues of their members who are local businesses, both large and small.

Miss COLLINS. So it is mostly local. That fraudulent company that set up their own Better Business Bureau, where was that, in Orlando?

Mr. JONES. Yes.

Miss COLLINS. They had an office?

Mr. JONES. They had a telephone in the man's office, but they got the phone company to list them as a Better Business Bureau. And when people called up, the job offer which was in an Ottawa and other Canadian newspaper, they would be told, if you don't believe us, call the Better Business Bureau at this number.

Miss COLLINS. I see. And that is not illegal?

Mr. JONES. Yes, it is.

Miss COLLINS. To have a phone number under a registered name, I mean.

Mr. JONES. We own the trademark Better Business Bureau, and they don't have any right to form a Better Business Bureau. It is not a generic name. It is a trademark that they may not use. And we tried to put them on notice of it, but they were—they flout the law continually.

Miss COLLINS. But the telephone company probably had no mechanism for verifying it either?

Mr. JONES. I believe they didn't.

Miss COLLINS. There are over 100 Better Business Bureau branches and each is independent and an independent organization.

Mr. JONES. About 153 total of bureaus and branches.

Miss COLLINS. Is there an information sharing process among the group?

Mr. JONES. Yes, there is. We do have a bulletin board, an electronic bulletin board that Better Business Bureaus can access. Those are computerized, and 60 of the Better Business Bureaus remain fully computerized.

We also have an information sharing bulletin that goes out from us, the Council in Arlington, VA, which is the umbrella organization for them. There is a constant sharing of information.

Miss COLLINS. Do you have the same guidelines in each Better Business Bureau on how to share information with Federal agencies or how you contact Federal agencies? Does each one develop their own procedures?

Mr. JONES. I think each one has developed their own procedures. We set guidelines to Better Business Bureaus for reporting and investigations. However, they each have developed over the years their own expertise and way of doing things in their relations in their own areas with the local law enforcement and Federal law enforcement people.

Miss COLLINS. What is the Council of Better Business Bureau's position on sharing information with other consumer groups like the National Consumers League?

Mr. JONES. We are not—feel no great proprietary feeling about information. We are interested in combating fraud and we have had discussions with the National Consumers League about information on their database as well, so our interest is in cleaning the market up and not in holding back any information.

Miss COLLINS. Did you participate in the retreat?

Mr. JONES. I didn't. We have participated with similar retreats with NCL.

Miss COLLINS. It seems to me, when such two giants get together, it will be formidable.

Mr. JONES. We have worked with the NCL in the alliance of telemarketing and other areas and we are always willing to do so.

Miss COLLINS. Something else that was disturbing in your testimony, that the Federal Trade Commission was not much interested in consumer fraud until recently, did you say?

Mr. JONES. That has been the feeling that I have gotten from discussions with many Better Business Bureaus for the purpose of this testimony that they had felt that in past years, in the 1980's, particularly, that the FTC had shown us a rather—some lack of interest in the information that Better Business Bureaus would bring to them.

Miss COLLINS. But you said in the past, it has improved.

Mr. JONES. In the past year or more, they have noticed a distinct improvement and greater interest in combating the scams that the bureaus brought to their attention, yes.

Miss COLLINS. Thank you very much.

Mr. JONES. Thank you.

Miss COLLINS. That completes this panel, panel No. 1. I want to thank you all very much and, Ms. Shapiro, can you stay a little while?

Ms. SHAPIRO. Yes, of course.

Miss COLLINS. OK. Thank you.

I will hear from panel No. 2. Christian White, Kenneth Hearst, Frederick Verinder, and Laurence Urgenson.

Good morning and welcome. Christian White, Director of Consumer Protection Bureau, Federal Trade Commission. I know you are going to explain to us your more recent concern, right?

STATEMENT OF CHRISTIAN WHITE, DIRECTOR, CONSUMER PROTECTION BUREAU, FEDERAL TRADE COMMISSION

Mr. WHITE. Yes, indeed, Madam Chairwoman. I am Christian S. White. I am Acting Director of the Bureau of Consumer Protection at the FTC. I appreciate the opportunity to be here and talk with you about the interests of the subcommittee in mail fraud and, in particular, the Commission's law enforcement activities as they relate to mail fraud.

In the interests of time, I won't read the statement on behalf of the Commission. I would like to highlight several areas that I understand are of particular interest to this subcommittee. And as we have heard here this morning, and those are coordination of our law enforcement efforts with those of other Federal and State and local agencies.

And in particular, I will talk a little bit about the NAAG/FTC telemarketing fraud database which others have mentioned and which we certainly concur is a critical part of helping us all get the most impact out of our limited enforcement resources.

I think it would be useful to begin with a very brief comment on the Commission's statutory authority. And let me just say, we are a civil law enforcement agency with a very broad mandate under the Federal Trade Commission Act to take action against unfair or deceptive acts or practices that are in or that affect commerce.

Because this jurisdiction is so broad, you should not be surprised that the Commission often targets unlawful operations that use the mails.

Much conduct that might violate the FTC Act does not rise to the level of fraud and would not likely fall within the ambit of mail fraud statutes. I will leave that important part of our work aside.

As I understand the focus of your interest, an example of nonfraud part of the Commission's jurisdiction is the enforcement of its trade regulation on mail order merchandise which provides remedies for consumers in terms of notice and information about delayed delivery or failure to deliver. That is an important part of our civil enforcement, but a matter that does not arise to fraudulent conduct.

As the others this morning have mentioned to you, the key aspect of our work as it relates to your concerns is the Commission's effort to combat fraudulent telemarketers whose deceptive or unfair schemes are conducted, at least in part, through the mail and those actions which, under our enforcement scheme, would amount to civil fraud.

The Commission brings actions against such fraud operators and scams in Federal district court under section 13(b) of the FTC Act. The objective of these actions is to bring an immediate halt to the telemarketers' illegal practices and to obtain redress for injured consumers, or where that is not possible, disgorgement of the ill-

gotten gains which, as you know, can be very substantial in these cases.

In bringing these cases, the Commission often seeks and obtains assistance from other Federal agencies, particularly the Postal Service. Parenthetically, I should say that we want to convey a word of appreciation for the postal inspector's contribution to the excellent working relationship that has developed, forged in past years between the FTC and the Postal Service.

To give you an idea of what we are about, and to respond to your question about some of the statistical information, I would just say that since 1984, the Commission has filed somewhat more than 100 civil lawsuits involving consumer fraud around the country. And those cases involve about 620 defendants.

We don't keep statistics on which of those lawsuits particularly concern mail fraud because we don't have specific jurisdiction in that area, but I asked the staff to take a look at telemarketing cases that we have filed since the beginning of fiscal year 1991 and there are 41 of those cases.

In 21 of those 41 cases, the Commission staff had worked in some way with the postal inspectors. In 15 of those 21 cases, the postal inspectors also had an investigation initiated either before or after the FTC's. And in 6 of those 15, there were subsequent criminal proceedings initiated by the postal inspectors or at their behest.

Our telemarketing cases run the gamut of those that you have heard already this morning, unlawful schemes to promote free awards and prizes and sell such diverse products and services as fraudulent travel packages, employment assistance services, rare coins, and stamps as investments, art, gemstones. The list is quite a long one of fraudulent business opportunities that are promoted through telemarketing scams.

A favorite tactic for telemarketers is, of course, to make initial contact with potential victims through the mailing of deceptive postcards to induce them to call in where the fraudulent pitch can be provided over the telephone.

In recent years, the Commission has attempted to focus its limited resources in a strategy that would maximize the effectiveness of what we can do. We have stepped our attacks on what we call "roots", that is, those companies that in the background in some cases indirectly support fraudulent telemarketing boiler rooms with a variety of services they need to successfully run a scam. Providing false or misleading promotional materials, helping to distribute them, providing access to credit card payment and collection systems through what we call the "factoring" of credit card transactions, providing the deceptive merchandise that is used in these scams, and the like.

The idea behind this root strategy is that a particular operation, a successful action against a root, can disable many, many scores of individual telemarketing boiler rooms. There was an interesting discussion of this type of case in the Sunday Post magazine, one of our art fraud cases, and it illustrates the two points that I think are critical.

The success and the utility of having a good cooperative working relationship also in that case with the relevant postal inspectors

and also the importance of going after the roots, the aiders and abettors and not just the front line boiler room operations.

Much has been said this morning about coordination and cooperation between the enforcement agencies. The Commission is by no means the sole or arguably not even the major actor in this. There are many other State and Federal law enforcement agencies involved. The Commission and its staff has long recognized that in order to confront a problem as large as telemarketing fraud, the best use of all of our resources has to be made.

The Commission has worked closely with Federal and State enforcement officials, the U.S. attorneys offices, the FBI, the Postal Inspection Service, the Secret Service, the Commodity Futures Trading Commission and with States attorneys general to name a few on the government's side of the ledger.

We have worked very closely with the National Association of Attorneys General, NAAG, through the formal working group that you heard about earlier this morning. We have worked very hard to provide information sharing and joint training to help the States implement their own root enforcement strategies between fraudulent telemarketing.

I want to say, during my very short tenure as being Acting Director of the Bureau of Consumer Protection, I have been enormously pleased to work with General Burson of Tennessee, president-elect of NAAG, and chair of the formal working group.

I won't repeat what Assistant Attorney General Carter has said about the future plans. Suffice it to say, we are pleased that that—that the meeting schedule has gone ahead or will go ahead starting this fall and think that those are useful ways to develop better working relationships and tighter coordination.

Chairman Steiger has made it a principal objective at the Federal Trade Commission to improve working relationships and coordinate government enforcement agencies and private groups that are concerned with consumer fraud and we are working very hard in that regard.

The Commission's work with NAAG on the telemarketing fraud database is a critical piece of this work, and I will just briefly describe it for you. You have heard a number of participants discuss how it might be helpful to them.

The database is simply an electronic system for sharing information on telemarketing fraud. There are currently 52 participants, including the offices of 33 State attorneys general, several other Federal agencies, including the Postal Service and the Secret Service, as well as other State and local consumer protection officials.

Ms. Golodner, of the National Consumers League, has described the critical input from the National Fraud Information Center. That is a large store of information about consumer complaints and other matters that arrive electronically at the FTC on a daily basis and is then available for all participants in the system who are law enforcement agencies and can certify they have a law enforcement purpose. And we think that system provides a valuable piece of the puzzle here, a solution to combatting telemarketing fraud.

The database will help identify those fraudulent telemarketers generating the greatest number of complaints, or the largest dollar volume of complaints. We can run, if you will, "top 10" lists and

compare to see whether a particular scam that may have surfaced for the first time is large in relative orders of magnitude or small and try to help ourselves and the other enforcers make good decisions about where to put their resources.

The database will also provide information on what other participating offices have indicated enforcement interest in a particular suspect, allowing discussions and coordination to happen effectively.

A very useful aspect of the system is that it will provide lists of consumers who have voiced a complaint by target and their telephone numbers and those can be used for searching for potential witnesses against prospective law enforcement targets.

Finally, the database will allow some analysis of what trends may be occurring in the types of law violations or in the geography of particular law violations and help us to see whether there are new areas and aspects that we need to pursue.

We now have in the system information, I understand, currently some 13,000 consumer complaints and information about some 1,200 law enforcement actions by members. There are some 1,000 complaints per month being entered in the database from the National Consumer League's hotline.

In terms of other cooperative efforts, we are participating in the Department of Justice's Federal telemarketing fraud work group and, where appropriate, some of our regional offices will participate in both Federal and State multi-agency task forces combatting telemarketing fraud such as those operating in Los Angeles, San Diego and south Florida, those areas where telemarketing seems to be quite prevalent.

I think at this stage, I should conclude my comments. I would be pleased to talk further about specific issues that you have and answer questions about our activities and about the database. We are working very hard to make it more user friendly and a better source of information to combat a very serious public problem.

Thank you.

[The prepared statement of Mr. White follows:]

PREPARED STATEMENT OF CHRISTIAN WHITE, DIRECTOR, CONSUMER PROTECTION
BUREAU, FEDERAL TRADE COMMISSION

Madam Chairwoman and members of the Subcommittee: I am Christian S. White, Acting Director of the Bureau of Consumer Protection of the Federal Trade Commission. I appreciate the opportunity to appear before you today on behalf of the Commission to discuss the use of the U.S. mail for deceptive or fraudulent purposes, and the Commission's law enforcement objectives, as they relate to combatting mail fraud.¹

The Federal Trade Commission's Consumer Protection Mission

The Commission is a civil law enforcement agency with a very broad mandate under the Federal Trade Commission Act, 15 U.S.C. §§ 41 *et seq.*, to take action against unfair methods of competition² and "unfair or deceptive acts or practices in or affecting commerce."³ The Commission's jurisdiction under the Act extends, with certain specific exceptions,⁴ to virtually every sector in the nation's economy. In addition to the FTC Act, the Commission enforces some thirty other consumer

¹ The views expressed in this statement represent the views of the Commission. My response to any questions you may have are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

² The basic purpose of our competition mission is to preserve the benefits of competitive markets for consumers by enforcing the antitrust statutes, specifically the FTC Act and the Clayton Act. The Commission's antitrust enforcement program is aimed at preventing or eliminating unlawful restraints on competition resulting from anticompetitive mergers or acquisitions, as well as from collusion, monopolistic and other anticompetitive single-firm behavior, and other activities that distort the workings of a free and fair marketplace. The Commission's competition law enforcement activities do not entail issues that are common to enforcement of the mail fraud statutes.

³ § 5(a) of the FTC Act, 15 U.S.C. § 45(a).

⁴ Certain entities, such as banks, savings and loan associations, and common carriers, as well as the business of insurance are exempt from Commission jurisdiction. See Section 5(a)(2) of the FTC Act, 15 U.S.C. § 45(a)(2) and the McCarran-Ferguson Act, 15 U.S.C. § 1012(b).

protection and antitrust statutes, such as the Magnuson-Moss Warranty Act⁵ (which provides disclosure standards for consumer product warranties) and the Truth in Lending Act (which mandates disclosures of consumer credit terms).⁶ The Commission also enforces trade regulation rules that it has adopted.⁷ The Commission, however, is not authorized to enforce the mail fraud statutes,⁸ although it frequently brings actions under Section 13(b) of the FTC Act seeking to enjoin unfair or deceptive acts or practices that are in the nature of civil fraud. In these actions, as discussed in more detail later in this testimony, the Commission often seeks and receives assistance from other federal agencies, particularly the U.S. Postal Service. In this regard, the Commission values very highly the positive and mutually productive working relationship forged between this agency and the Postal Service.

The Commission has strong and effective tools to enforce the statutes and rules for which it is responsible. The Commission is empowered to issue administrative complaints and to conduct administrative adjudications that may result in the issuance of cease and desist orders barring continuation of practices found to be unfair or

⁵ 15 U.S.C. § 2301 *et seq.*

⁶ 15 U.S.C. §§ 1601 *et seq.* Other examples are the Comprehensive Smokeless Tobacco Health Education Act of 1986, 15 U.S.C. § 4401 *et seq.*, which requires the FTC to regulate warning labels on smokeless tobacco products; the Fair Credit Billing Act, 15 U.S.C. § 1666 *et seq.*, which provides for the correction of billing errors on credit accounts; the Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.*, which establishes rights with respect to consumer credit reports.

⁷ *E.g.*, the Franchise Rule, 16 C.F.R. Part 436, the Funeral Rule, 16 C.F.R. Part 453, and the Used Car Rule, 16 C.F.R. Part 455.

⁸ *See*, 18 U.S.C. § 1341; 39 U.S.C. § 3005.

deceptive. In appropriate cases, the Commission may file suit in federal district court to obtain preliminary and permanent injunctive relief, redress for injured consumers, or disgorgement of ill-gotten gains.⁹ In addition, the Commission may request the United States Attorney General to file actions in the appropriate federal district court seeking civil penalties for violations of its administrative orders or trade regulation rules, and may file those actions on its own behalf if the Department of Justice declines to do so in the name of the United States.¹⁰ The Commission may also seek the assistance of the Department of Justice in filing criminal contempt proceedings against persons who violate orders obtained by the Commission, or in filing criminal actions in egregious fraud cases.¹¹

Not surprisingly, in view of the broad jurisdiction the FTC confers upon the Commission, conduct within the scope of the Commission's consumer protection law enforcement efforts may sometimes involve use of the U.S. mails. Much of this conduct, although in violation of the FTC Act, does not rise to the level of fraud, and would not likely fall within the ambit of the mail fraud statutes. The best example of the Commission's activity in this area is enforcement of its Trade Regulation Rule on Mail Order Merchandise, 16 C.F.R. Part 435. The Commission promulgated the Mail Order Rule to address certain specific problems in the mail order industry, such

⁹ Section 13(b) of the FTC Act, 15 U.S.C. § 53(b).

¹⁰ Section 19 of the FTC Act, 15 U.S.C. § 57b.

¹¹ For example, at the Commission's request the Department of Justice initiated criminal contempt proceedings against Dean S. Vlahos, the individual defendant in an allegedly deceptive 900 number scheme, *FTC v. U.S. Sales*, No. 91 C 3893 (N.D. Ill.). On June 23, 1992 the court issued an order to show cause for criminal contempt based on Vlahos' resumption of activities prohibited by the consent judgement issued earlier by the court.

as failure to deliver merchandise, late delivery of merchandise, failure to make prompt refunds, and failure to answer customer inquiries about delayed or lost orders. The Mail Order Rule imposes several duties and requirements upon direct mail sellers to prevent such problems. The Rule, however, was not designed to address mail fraud, and, therefore, Commission enforcement actions brought under the Rule generally do not target individuals or businesses involved in such conduct.¹²

Other Commission consumer protection law enforcement efforts, however, *do* target conduct that not only violates the FTC Act's prohibition of unfair or deceptive acts or practices, but may also violate one or more of the mail fraud statutes. Specifically, I am referring to the Commission's efforts against fraudulent telemarketers, whose deceptive or unfair schemes are conducted, at least in part, through the U.S. mail.¹³

Fraudulent telemarketing is one of the three principal areas in which the Commission focuses its consumer protection resources, the other two being deceptive advertising and rule and special statute enforcement. The House Committee on Government Operations estimates that consumers' losses to fraudulent telemarketers

¹² Several enforcement actions under the Mail Order Rule have involved, in addition to Rule violations, violations of Section 5 of the FTC Act that were allegedly fraudulent in nature. *U.S. v. Sheldon Friedlich Marketing, Inc.*, No. 85 Civ 130 (S.D.N.Y filed Jan. 7, 1985); *U.S. v. Encore House*, No. 85-7385 (S.D.N.Y filed Sept. 20, 1985). In fact, the postal authorities brought their own action against the defendants in the latter case.

¹³ Although telemarketing fraud is the area of the Commission's activity most likely to involve conduct that also may violate the mail fraud statutes, other non-telemarketing cases may also involve such conduct. See discussion of *FTC v. Amiel Publishers*, No. 459 (E.D.N.Y. 1991), *supra*, at 14.

range from at least \$3 billion to as much as \$40 billion annually.¹⁴ The Federal Trade Commission continues to devote significant law enforcement and consumer education resources to combat this problem.

Since 1984, the Commission has initiated, under Sections 5 and 13(b) of the FTC Act, more than one hundred civil lawsuits in federal district courts throughout the United States against some 620 defendants to enjoin unfair or deceptive telemarketing practices and obtain redress for victims of telemarketing fraud or the disgorgement of the defendants' ill-gotten gains. The unlawful conduct that the Commission seeks to enjoin in these actions may also be subject to the mail and wire fraud statutes, but since the Commission does not have authority to enforce those laws it does not make a determination in each case as to whether the facts presented constitute mail fraud within the meaning of the statutes and applicable case law. Thus, the Commission does not maintain formal statistics on the number of FTC cases that involve violations of the mail fraud laws. However, the staff has reviewed the 41 telemarketing cases filed from the beginning of fiscal year 1991 until the present and has determined that in 21 of these 40 cases Commission staff have consulted with the Postal Inspectors to explore the possibility of mail fraud violations or to otherwise share information or coordinate activities regarding a specific proposed defendant or group of defendants. Moreover, in 15 of these 21 cases the Postal Inspectors also had an investigation, either before or after the Commission initiated its investigation, and

¹⁴ House Committee on Government Operations, *THE SCOURGE OF TELEMARKETING FRAUD: WHAT CAN BE DONE AGAINST IT?* H.R. Rep. No. 421, 102nd Congress, 1st Sess., at 5.

in six of these 15 where there were concurrent investigations, the Postal Inspectors initiated formal criminal proceedings.

The Commission's telemarketing fraud cases have involved schemes for such diverse products and services as rare coins and stamps, art, gemstones, precious metals, FCC wireless cable television lottery application filing services, and business and employment opportunities.¹⁵ In addition, the Commission has continued its pursuit of telemarketing operations that sell fraudulent travel packages and employment assistance services, and promote "free" awards and prizes.¹⁶ The Commission also has been active in the area of credit card and credit services fraud,

¹⁵ E.g., *FTC v. Cambridge Exchange*, Civ. No. 93-6300 Civ-King (S.D. Fla. filed April 15, 1993) (animation cel art and allegedly fraudulent appraisals of their value); *FTC v. North and South Associates, Inc.*, No. 93 6250 CIV-ZLOCH (S.D. Fla. filed Mar. 30, 1993) (employment opportunity scheme); *FTC v. World Wide Classics, Inc.*, Civ. No. 92-3363 TJH (EEX) (C.D. Cal. filed June 4, 1992) (stamps); *FTC v. American Microtel*, Civ. No. 92-178 (D. Nev. filed March 2, 1992) (wireless cable television lottery applications); *FTC v. DuPont Model Management, Inc.*, Civ. No. 90-7695 (E.D. Pa. Jan. 22, 1992) (employment opportunities; litigated order with \$2.3 million in consumer redress); *FTC v. Morgan Whitney Trading Group, Inc.*, Civ. No. 90-4887 RSWL (Sx) (C.D. Cal. Aug. 28, 1991) (precious metals and commemorative medallions; \$1.6 million consumer redress consent judgment); *FTC v. Newport Gems*, Civ. No. 90-2001R (C.D. Cal. Dec. 6, 1991) (gemstones; \$3.4 million consumer redress).

¹⁶ E.g., *FTC v. U.S. Hotline*, No. 93-C-444B (D. Utah May 10, 1993) (business opportunity promotion scheme); *FTC v. Fitness Express, Inc.*, et al., CV-S-93-00561-LDG (RJJ) (D. Nev. filed June 16, 1993) (prize promotion scheme); *FTC v. Denny Mason*, CV-S-93-135-PMP (D. Nev. filed Feb. 22, 1993) (prize promotion scheme); *FTC v. Sierra Pacific*, CV-S-93-134-PMP (D. Nev. filed Feb. 22, 1993) (prize promotion scheme); *FTC v. Voices for Freedom*, No. 92-1542-A (E.D. Va. July 13, 1992) (consent judgment with \$120,000 disgorgement; allegedly deceptive fundraising for phoney charity through sales of "desert storm" bracelets); *FTC v. Pioneer Enterprises, Inc.*, Civ. No. CV-S-92-615-LDG-RJJ (D. Nev. Dec. 4, 1992) (prize promotion scheme, \$1.5 million consumer redress consent judgment); *FTC v. Passport International(e)*, Civ. No. 92-275-CIV-ORL-22 (M.D. Fla. filed Apr. 1, 1992) (travel promotion scheme).

suing, among others, firms allegedly selling phony credit repair services or "gold" credit cards through 900 numbers.¹⁷

These cases reveal that fraudulent telemarketers may solicit consumers through print or broadcast advertising or through "cold" telephone calls. A common method of making their initial contact with their victims, however, is through mass mailing of deceptive letters or postcards containing false and misleading promises of a luxury car, a dream vacation, or similarly desirable "prizes," "awards," or purported giveaways. By use of such "door openers," fraudulent telemarketers entice consumers to call their boilerrooms. Consumers who call these boilerrooms to claim their awards -- often incurring charges for long distance or 900 number calls -- are subjected to deceptive sales pitches by highly skilled telemarketers. These telemarketers also frequently use the mails for making subsequent sales to consumers, sending merchandise or further correspondence to consumers, or conducting other basic functions of their businesses. In other cases, these fraud operators employ private parcel delivery or overnight courier services in an apparent attempt to sidestep the mail fraud statutes.

In recent years, the Commission has adopted a strategy designed to maximize the effectiveness of its limited law enforcement resources devoted to telemarketing fraud. The Commission has stepped up its attacks on the "roots" that support the

¹⁷ E.g., *FTC v. American Standard Credit Sys., Inc.*, No. CV-93-2623LGB(JRX) (D.C. Cal. filed May 5, 1993) (credit services through 900 number); *FTC v. Tamona Enterprises*, No. HAR-92-2198 (D. Md. Aug. 10, 1992) (credit services; \$300,000 consumer redress consent judgment); *FTC v. Interactive Communications Technology, Inc.*, Civ. No. CV-F-91018 RED (E.D. Cal. June 11, 1992) (credit services through 900 number; \$800,000 consumer redress consent judgment).

fraudulent boilerroom networks -- that is, the firms that knowingly provide one or more of a variety of services necessary to the successful operation of a deceptive telemarketing scheme. These services include providing boilerrooms with the following: false or misleading promotional materials and the means of distributing them; "how-to" guidance and sales scripts; financial assistance; access to the Visa and Mastercard payment and collection systems through so-called "factoring" of credit card transactions;¹⁸ and deceptive merchandise, such as ineffective water filters, or "awards" such as junk jewelry that can only be peddled, at the astronomical prices fraudulent telemarketers charge, though misrepresentation and deceit. While the impact of an action filed against a single isolated boilerroom is limited to that particular operation, a successful action against a "root" organization can disable a score of individual telemarketing boilerrooms.

A good example of the Commission's "root" approach to telemarketers is the *Passport International* case.¹⁹ Passport, a classic telemarketing "root," sustained scores of client boilerrooms by allegedly providing them with everything necessary to run a successful fraud. Passport sold its client boilerrooms travel certificates --

¹⁸ Fraudulent telemarketers obtain unauthorized access to a credit card payment and collection system, such as Visa or Mastercard, through a "factor" -- a person who possesses what is known as a "merchant account" with a Visa or Mastercard member bank or other financial institution and is willing to use the merchant account to deposit the telemarketers' credit card charge slips. Depositing credit card charge slips in a merchant account initiates the process that converts the charge slips into cash. By contract and, in some states, by law, a merchant account holder is authorized to deposit in the account *only* credit card charge slips generated by such person's *own sales transactions*. Factors provide access to merchant accounts for fraudulent telemarketers and others who do not themselves have, and probably cannot meet the criteria to obtain, a merchant account.

¹⁹ *FTC v. Passport International(e)*, No. 92-275-CIV-ORL-20 (M.D. Fla. filed April 1, 1992). The State of Florida also sued Passport shortly after the Commission filed its case.

vouchers purportedly redeemable for a "luxurious" vacation -- as well as "awards" that telemarketers promise consumers in order to lure them into purchasing some other item at an inflated price. Passport allegedly provided numerous client boilerrooms with deceptive sales scripts, lists of prospective consumer victims, and postcard "door openers" designed to induce consumers to call to claim a promised luxurious vacation, and handled all post-purchase dealings with consumers. In many instances, Passport allegedly mailed both the solicitations and travel packages for its clients. Finally, Passport furnished its client telemarketers access to the credit card collection and payment system through a network of individuals and businesses that brokered credit card factoring services.

On June 22, 1993, the court approved a final order against Passport permanently banning the defendants from selling any travel-related products or services through any independent telemarketers. By obtaining such an order against Passport, the Commission dealt a disabling blow to as many as seventy-five boilerrooms, each of which allegedly had been deceiving hundreds or thousands of consumers every week.²⁰

Cooperation with Federal and State Authorities

The Subcommittee has indicated that coordination between the Commission and other agencies with respect to mail fraud is an area of interest. As the foregoing discussion indicates, the Commission's law enforcement efforts that bear on mail fraud

²⁰ The final order also requires Passport to disclose fully to consumers all of the costs, restrictions, terms, and conditions of any travel-related products or services that the defendants market directly to consumers, and to provide the exact trip as represented at the time of sale to any consumer who purchases any travel certificate or voucher from Passport.

are those directed at the problem of fraudulent telemarketing. The Commission is not the sole law enforcement agency pursuing fraudulent telemarketers. On the contrary, many other state and federal law enforcement agencies are contributing to the fight against fraudulent telemarketing in very significant ways. The Commission and its staff have long recognized that in order to confront such a huge problem, the best use must be made of law enforcement resources available on all levels. Accordingly, the staff of the Commission have worked closely with other federal and state law enforcement officials in the investigation and prosecution of a number of Commission cases. During the past few years, the Commission has coordinated its law enforcement efforts with such agencies as United States Attorneys' Offices, the FBI, the Postal Inspection Service, the Secret Service, the Commodity Futures Trading Commission, and with state attorneys general.

The Commission also works closely with the National Association of Attorneys General (NAAG) through a formal working group that generates joint enforcement and training projects.²¹ A prime example of this cooperation is the joint NAAG/FTC Telemarketing Fraud Database, an electronic system for sharing information on telemarketing fraud. The database's fifty-two participants include thirty-three states' attorneys general, several federal agencies besides the FTC -- including the U.S. Postal Service and the Secret Service -- as well as other state and local consumer protection officials. In addition, non-governmental consumer groups such as the National Consumers League submit consumer complaint data into the system on a

²¹ The Commission has worked together with NAAG and state agencies to help the states to implement their own "root" enforcement strategy against fraudulent telemarketing similar to the Commission's.

daily basis. Because these organizations are not law enforcement agencies, however, they have no access to data once it is delivered to the system.

The database allows users to identify the following: the fraudulent telemarketers generating the greatest number of complaints or the largest dollar volume of complaints; other governmental offices investigating a particular suspect; potential witnesses against prospective targets; and recent trends in law violations. In a related endeavor, the Commission is working with federal criminal law enforcement agencies to encourage their participation in the database and to develop special procedures that are sensitive to their particular requirements for confidentiality.

Commission staff also participate in the Federal Telemarketing Fraud Work Group and commend the Department of Justice's initiative in creating this multi-agency task force. Additionally, the staff of the Commission participate in federal and state multi-agency task forces, such as those operating in Los Angeles, San Diego, and South Florida. For example, the Commission's Los Angeles Regional office, through its participation in the San Diego boilerroom task force, assisted in the FBI's recent "Operation Disconnect," a nationwide sweep of scores of allegedly fraudulent telemarketing boilerrooms that took place in March of this year. As a part of the sweep, the Commission filed an action against Can-Do Worldwide Marketing, Inc.²²

Can-Do ran a sweepstakes promotion scheme. The company allegedly represented to consumers, many of whom were elderly, that they had won \$25,000, \$10,000, or \$5,000 in cash, and that upon purchase of Can-Do's cosmetics or other

²² *FTC v. Can-Do Worldwide Marketing, Inc.*, Civ. No. 93-336R(LSP) (S.D. Cal. filed Mar. 2, 1993).

merchandise, they would receive "bonuses" or "premiums" -- a travel certificate and a piece of jewelry. Can-Do allegedly represented the travel certificate as a "free" vacation or "free" airfare, when in fact consumers had to purchase lodging at inflated rates in order to redeem the certificate. Can-Do also provided customers with a piece of jewelry bearing a certificate of appraisal of \$489, when the company's own records showed that Can-Do paid only \$30 for each piece.

As a result of the Commission's action, Can-Do is now under a court order that prevents the alleged unlawful activity and freezes the assets of both the company and its principal. The Commission is pleased to have contributed to Operation Disconnect, and commends the work of the FBI and the Department of Justice in making this impressive criminal law enforcement effort a reality.

While Operation Disconnect was an important battle in the war against telemarketing fraud, other examples of cooperation between the Commission and other law enforcement agencies are common. A recent example of the joint efforts among the FTC, the Postal Service, and United States Attorneys' offices is our coordinated action against Pioneer Enterprises, Inc.,²³ allegedly one of Nevada's largest root organizations that served a variety of independent boilerrooms and operated its own boilerrooms as well. In July 1992, the Commission filed a complaint charging that Pioneer operated a fraudulent nationwide "prize" promotion telemarketing scheme, initiated by a mail solicitation guaranteeing that the recipient had won a car, a vacation or some other valuable item.

²³ *FTC v. Pioneer Enterprises, Inc.*, CV-S-92-615-LDG-RJJ (D. Nev. July 20, 1992).

Pioneer and its client telemarketers allegedly lured consumers into buying whatever it was selling -- water filters, vitamins, vacation certificates -- with promises that, in addition to the product offered, purchasers would receive a fabulous prize worth more than the \$395 to \$695 price of the product. According to the complaint, the promised prizes typically included Cadillacs, \$5,000 cash payments, Hawaiian vacations, and diamond watches. Many consumers complained that Pioneer told them they were "guaranteed" to win the Cadillac. According to the complaint, in virtually all instances, consumers instead received a watch or other item of jewelry that allegedly cost Pioneer a maximum of about \$40.

Coordinating their efforts, the Commission and the Postal Inspection Service moved against Pioneer. The Postal Inspection Service executed an extensive search warrant against Pioneer and its sister companies at the same time that the Commission filed its complaint and obtained an *ex parte* temporary restraining order and asset freeze against them. The Commission staff also worked closely with the office of the Nevada Attorney General and the Las Vegas Office of Consumer Affairs. In December 1992, the Court approved a settlement in the FTC's case requiring the Pioneer defendants to pay as consumer redress \$ 1.5 million -- virtually all the unencumbered assets they possessed -- and imposing a comprehensive package of strong injunctions upon them.

The Commission works with other federal agencies on cases similar to Pioneer, and its work with the Postal Inspectors has not been restricted to prize promotion telemarketing schemes. The Commission worked closely with the FBI in another recent case against telemarketers using a deceptive prize promotion scheme similar to

Pioneer's,²⁴ and has worked with the Postal Inspectors on a number of cases against fraudulent telemarketing schemes involving deceptive sales of consumer products, such as water filters.²⁵

The Commission also has worked closely with other federal agencies in pursuing telemarketing networks engaged in investment fraud. The Commission's case against T.G. Morgan, Inc. and Michael W. Blodgett²⁶ involved a deceptive coin investment scheme conducted both by mail and telephone. Early in its investigation, the Commission notified the U.S. Postal Inspection Service and the U.S. Attorney's office in Minnesota of possible criminal law violations by the proposed defendants. As a result, the Postal authorities opened a simultaneous investigation into the parties' alleged mail and wire fraud violations, and were able to obtain and execute an extensive search warrant at the same time the Commission obtained an *ex parte* temporary restraining order and asset freeze against the defendants.

The benefits of cooperative efforts like these are clear. In the T.G. Morgan case, the Commission shared with the Postal Inspector in St. Paul documentary evidence and expertise it has developed in coin investment cases that facilitated quick preparation of a search warrant request. The Commission, on the other hand,

²⁴ *FTC v. David Wetherill*, No. 92-2295 DT (EEEx) (C.D. Cal. Apr. 15, 1992). The Commission also received assistance from the United States Attorney in Las Vegas and the Office of International Affairs of the Department of Justice in tracking certain of the defendant's assets to the Cayman Islands.

²⁵ - E.g., *FTC v. C & L Industries*, No. CA4-90-125Y (N.D. Tex. filed Feb. 19, 1990); *FTC v. GTP Marketing*, No. CA4-90-123K (N.D. Tex. Feb. 19, 1990).

²⁶ *FTC v. T.G. Morgan and Michael W. Blodgett*, No. 4-91-638 (D. Minn. filed Aug. 21, 1991).

obtained information and assistance from the Postal Inspector that allowed the Commission to locate and freeze the defendants' assets and to strengthen its documentary evidence supporting its case. The Commission froze several million dollars of the defendants' assets which were subsequently released to a bankruptcy trustee for distribution to injured consumers and other creditors. The United States Attorney later was successful in convicting the defendants of eighteen felony counts, including mail and wire fraud.

Similarly, the Commission cooperated extensively with the Postal authorities and the United States Attorney for the Eastern District of New York and the Northern District of Illinois in the pre-litigation investigation of a network of fraudulent art dealers, known as Amiel Publishers. Again, the Postal authorities obtained and executed their search warrant at the same time the Commission filed its complaint and obtained an *ex parte* temporary restraining order and asset freeze against the defendants.²⁷ The Commission obtained a preliminary injunction against all of the named defendants prohibiting the allegedly unlawful conduct; the United States Attorney obtained criminal pleas from several of the defendants and expects to go to trial shortly against the remaining defendants on several counts of mail fraud.

In other instances, the Commission refers matters to federal or state agencies with criminal enforcement authority when information obtained through litigation indicates that defendants may be engaged in criminal activity. For example, in the case of *FTC v. Dupont Model Management, Inc.*, the Commission sued the defendants

²⁷ *FTC v. Amiel Publishers*, No. 459 (E.D.N.Y. 1991).

for operating a deceptive modeling scheme.²⁸ While the FTC's case was limited to the charge that the defendants' conduct violated Section 5 of the FTC Act, the Commission provided the U.S. Attorney in Philadelphia with evidence indicating that the principal defendant had engaged in mail fraud and money laundering. The Commission obtained an order from the court permanently banning the defendants from engaging in any modeling-related businesses and a judgment of \$2.3 million for redress to injured consumers. The Philadelphia United States Attorney recently indicted the principal defendant on eighteen counts of mail and wire fraud and money laundering.

In addition to its coordinated efforts with federal agencies, the Commission cooperates closely with state and local governments in combatting telemarketing fraud, among other types of deceptive business schemes. The Commission routinely shares information and refers cases and, in some instances, brings cases in tandem with state authorities. One of the many examples was the joint effort in the *Listworld* case²⁹ where the Commission received information from state attorney general offices in Alabama, Colorado, Oregon, and Texas, and was assisted by the Alabama Attorney General in seizing the defendants' assets. Oregon also filed its own action against *Listworld* shortly after the Commission's case was filed.

In the recent *Andrisani* case,³⁰ involving a deceptive business opportunity scheme, the Commission obtained assistance from the police departments of two

²⁸ *FTC v. Dupont Model Management, Inc.*, No. 90-7695 (E.D. Pa. 1990).

²⁹ *FTC v. Listworld, Inc.*, Civ. No. CV-91-N-0979-NE (N.D. Ala. stipulated permanent injunction Nov. 12, 1991).

³⁰ *FTC v. O'Rourke*, Civ. No. 93-6511 (S.D. Fla. June 21, 1993).

Florida counties in serving the defendants with an *ex parte* temporary restraining order and order for asset freeze and gaining access under the terms of the TRO to the defendants' business records for inspection and copying. In addition, the Commission was assisted in its investigation by state and local officials in Florida and Michigan and by the Canadian government.³¹

Finally, Commission efforts to coordinate available resources against telemarketing fraud, and other unlawful schemes that may involve the mails, are by no means restricted to other governmental agencies. Commission staff work to develop and maintain lines of communication with private organizations like MasterCard, Visa, long distance telephone carriers, and private courier services to help identify likely frauds and to anticipate emerging unlawful schemes. The Commission also works to promote consumer education and other mutual goals with consumer groups like the Alliance Against Fraud in Telemarketing.

Recommendations on How to Eliminate the Problem of Mail Fraud

³¹ There are numerous other examples of FTC-state cooperation. The Florida Attorney General's office helped the Commission bring a case against telemarketers who allegedly aided and abetted fraudulent telemarketers of vacation certificates. *FTC v. Passport International, Inc.*, 92-275-CIV-ORL-22 (M.D. Fla. filed April 1, 1992). The Nevada Office of Consumer Affairs helped the Commission to build its case against Pioneer Enterprises, as discussed *supra*. *FTC v. Pioneer Enterprises, Inc.*, CV-S-92-615-LDG-RJJ (D. Nev. filed April 1, 1992). The Commission worked with the New Mexico Attorney General's office and the Clovis, New Mexico District Attorney's Office to pursue telemarketers who used a deceptive prize promotion scheme. *FTC v. David Wetherill*, 92-2295 DT (EEEx) (C.D. Cal. Apr. 15, 1992). The Attorneys General in Oregon and Texas assisted the Commission in bringing a case against a 900 number "root" operation allegedly engaged in deceptively marketing credit card information packages. *FTC v. MDM Interests, Inc.*, Civ. No. H-92-0485 (S.D. Tex. Feb. 18, 1992).

The Subcommittee has asked for the Commission's recommendations on eliminating mail fraud. Based upon its experience in pursuing telemarketing fraud the Commission would agree that mail fraud is all too prevalent and is a scourge upon consumers. The Commission believes, however, that specific recommendations that might be advanced by those agencies that have primary responsibility and expertise to enforce existing mail fraud statutes are likely to be of greatest value to the Subcommittee in this area. However, in considering how to eliminate this problem, federal and state agencies must keep in view the fact that mail fraud -- the use of the mails to defraud -- is only one part, albeit a critically important one, of the larger problem of predatory fraud operators exploiting consumers by any and every means. The mail fraud statutes are an essential tool for combatting fraud but they alone cannot solve the problem.

The problem facing law enforcement is not simply the fraudulent use of the mails or even the telephone, but the continuous progression of ever-changing fraudulent marketing schemes perpetrated on hundreds of thousands of Americans. The Commission's caseload for the last several years demonstrates that industrious scammers continuously evolve and refine their pitches, their products, and their collection and payment methods to keep their unlawful means of gaining a livelihood up to date. Fraud operators are great believers in technological progress. They are always the first to recognize the fraudulent potential of any new advancement, and to exploit it to the fullest. The great wave of 900 number scams that followed in the wake of the introduction of pay-per-call services in recent years is a prime example. In no time fraud operators realized the fraud potential in the novelty of 900 numbers - - and the potential for evading the protections afforded consumers by the Fair Credit

Billing Act³² inherent in billing and collection through consumers' telephone bills rather than through credit cards.³³ The advent of infomercials provides yet another example of how some unscrupulous marketers have exploited a new technology to sell such age-old nostrums as baldness cures, impotence remedies, and diet devices.³⁴ Fraud operators are endlessly inventive in developing media and schemes through which to achieve their unlawful goals.

As discussed here today, many fraudulent schemes involve the use of the U.S. mail to some extent. However, they often are carried out through a combination of media such as 900 number pay-per-call services, 800 number toll free services, debit drafts, commercial courier services, and or wire transfers. Recent increases in the use of commercial courier services such as Federal Express to transact fraudulent schemes is evidence that these businesses know how to circumvent the mail fraud statute.

There are various recommendations before Congress on how to expand existing federal legislation to keep pace with the practices of deceptive telemarketers and direct mail marketers, and these warrant serious consideration.³⁵ The Commis-

³² 15 U.S.C. § 1666 *et seq.*

³³ See, *supra*, note 14.

³⁴ A number of Commission cases have targeted deceptive infomercials. *E.g.*, *Media Arts International, Ltd.*, FTC File No. 9023177 (consent order, June 14, 1993); *CC Pollen Co.*, FTC Docket No. C-3419 (consent order, March 23, 1993); *Synchronal Corporation*, FTC Docket No. 9251 (consent agreement subject to final approval, June 30, 1993); *Nu-Day Enterprises, Inc.*, FTC Docket No. C-3380 (consent order, April 22, 1992); *FTC v. California Pacific Research, Inc.*, CV-N-88-602 BRT (D. Nev.) (consent judgment, June 22, 1992).

³⁵ For example, the House Subcommittee on Oversight and the House Subcommittee on Social Security has issued a report on deceptive mailings that adversely affect consumers, (continued...)

sion is aware of efforts to expand the mail fraud statute to include commercial mail carriers and facsimile transmissions. With regard to the Commission's enforcement of the FTC Act, the Commission has generally supported pending legislative efforts to expand the tools available to the agency to combat telemarketing fraud. Insofar as the Commission's efforts against fraudulent telemarketers target the same individuals and businesses that engage in mail fraud, these legislative efforts will contribute to the overall battle against mail fraud. In particular, the Commission has supported the provision in the "Telemarketing and Consumer Fraud and Abuse Prevention Bill" proposed by Senators Bryan and McCain³⁶ that would make credit card factoring³⁷ - more correctly credit card laundering -- an illegal practice. The Commission also supports the provisions in the proposed bill that would broaden venue for the Commission's district court actions, expand the Commission's civil investigative demand authority to include physical evidence, amend the Right to Financial Privacy Act to enhance the Commission's ability to prevent dissipation of defendants' assets, and authorize the Commission to prosecute its own criminal contempt actions.

³⁵(...continued)

particularly the elderly. These include "Social Security Information" services, "Medicare Information" services, fraudulent insurance solicitations, mailings that appear to be official correspondence from government agencies, and mailings that appear to be from tax-exempt educational or charity organizations. House Subcommittee on Oversight and the House Subcommittee on Social Security, DECEPTIVE SOLICITATIONS, H.R. Rep. No. 102-45, 102d Cong. 2d Sess.

³⁶- S. 568, the *Telemarketing and Consumer Fraud and Abuse Prevention Act*. Similar legislation is also pending in the House. H.R. 868, the *Consumer Protection Telemarketing Act*.

³⁷ See, *supra*, note 15.

There are other ways in which the Commission, the U.S. Postal Service, and other state and federal agencies can help to reduce the number of frauds perpetrated upon consumers by means of the mail, telephones, or otherwise. For example, law enforcement agencies, both on the federal and local level, should continue to strive for better cooperation, coordination, and information sharing in the investigation and prosecution of offenders.

Consumer education is another method for hindering the success of fraudulent operators. The Commission is committed to increasing consumer awareness of the perils of telemarketing fraud and other deceptive marketing schemes. Independently, and with other organizations and businesses, the Commission has produced several publications in English and in Spanish alerting consumers about the scams they should avoid.³⁸ The Commission distributes these publications to consumers as well as to state and local officials, the media, private consumer awareness groups, and others in a position to educate the public about such matters.

On behalf of the Commission, I thank the Subcommittee for this opportunity to provide the Commission's views on the use of the U.S. mail for deceptive or fraudulent purposes, and the Commission's law enforcement objectives, as they relate to combatting mail fraud. I would be happy to answer any questions that members of the Subcommittee may have for me at this time.

³⁸ These publications include, among others: *Swindlers are Calling*; *Telemarketing Travel Fraud*; *Art Fraud*; *Magazine Telephone Scams*; *Dirt Pile Scams*; *Buying by Phone*; *Fraud by Phone*; "900" numbers; *Job Ads*, *Job Scams*, and *900 Numbers*.

Miss COLLINS. Thank you very much. I am—I must confess to some confusion. I got the impression from the previous panel that the database was accessible to the consumer groups, but in your testimony, I see it is only available to other law enforcement agencies.

Mr. WHITE. Under the Commission's statutes, the information that we obtain of a law enforcement nature can be shared with those who can certify a law enforcement purpose.

Miss COLLINS. Then, how is that beneficial to consumer groups? Do they have to go to their local police department to get the information? How can they check to see if a company has had a prior complaint against them? It seems like it is a one-way situation. The consumer groups can feed information into the database, but they can't receive any back.

Mr. WHITE. It is, at this stage, principally a tool for law enforcers, that is right. It may be possible to generate from the database some statistical information that might be useful, and certainly we use that and try to get out to consumers and consumer advocates information about trends and current activities. But as I have said, it is principally a law enforcement coordination tool.

Miss COLLINS. Are there any plans or do you have any other programs that consumer groups can have access to some information?

Mr. WHITE. We are engaged in, as I believe all the other agencies that you will hear from, in consumer education efforts and—

Miss COLLINS. No, no, I am—

Mr. WHITE. Your question goes to specific data about specific law enforcement targets. And the answer to that, until those potential targets become actual targets and there is public information about them, that—we are barred under our statutes from sharing that information.

Miss COLLINS. Well, not necessarily. I am not asking about potential litigants or criminal cases.

Mr. WHITE. To the extent that there is in the database public information, that we would not be barred from sharing that. But the vast majority of it is information about potential targets.

Miss COLLINS. Well, you see, if the consumer groups are feeding information into the database, and what they are feeding in is that they have had complaints against this company selling bogus travel, then that is in your database and this consumer group is in Michigan, and a consumer group in Illinois calls up to ask, "Have you had any complaints about such and such a company's name?", you are precluded from telling them, yes, there is one instance.

Mr. WHITE. That is right, unless that information concerns a case that is already itself public.

Miss COLLINS. That is already public, you say?

Mr. WHITE. That is right. If a case has been filed and there is public information about that.

Miss COLLINS. Do you plan—you cannot, because of your statutes, you can't?

Mr. WHITE. That is correct.

Miss COLLINS. It seems very unfair.

Mr. WHITE. I think the background is the distinction between information that concerns potential law violation, which is typically maintained in confidence, and information about public actions,

which, of course, we have a very strong interest in getting out to the public as well as we can.

Miss COLLINS. Is the U.S. Consumers Council under your jurisdiction?

Mr. WHITE. No, it is not.

Miss COLLINS. What are they under?

Mr. WHITE. The U.S. Office of Consumers Affairs.

Miss COLLINS. Yes. Who are they?

Mr. WHITE. That is a component of the Department of Health and Human Services.

Miss COLLINS. Of Health and Human Services. They didn't respond to our invitation to testify today, as far as I know, so we may have to have a hearing with just them. It just seems to me that this Federal Government should have some agency that can serve as a focal point for all of the consumer groups out there trying to protect U.S. citizens.

Mr. WHITE. Indeed, and we at the Federal Trade Commission, in particular its Consumer Protection Bureau, work very hard to provide, to participate wherever possible in the——

Miss COLLINS. But you are limited because of the legal system. And so it seems to me that we need something else. What you are doing is good and very necessary, but we need some agency that will interact with the consumer groups.

Mr. WHITE. Well, as I say, I think we are doing that actively wherever possible and having very good working relationships with consumer groups in combating this problem in framing consumer education efforts, generally, to try to help people prepare themselves to resist this kind of fraud.

We participated in the retreat that Ms. Golodner discussed and found that very valuable, so I would say we are working very hard to reach out to consumer groups as well to find ways to work together. It is true that the information flow in the database is, as you describe it, to some extent one way because of the law enforcement purpose and the restrictions on our statute.

Miss COLLINS. What about the BBB? Are you going to have better relationships with Better Business Bureaus. You mentioned all the agencies. You didn't mention that one.

Mr. WHITE. I have to say we have been working with the BBB's in various ways for all of my career at the FTC, which is, almost 22 years now. We have received help from BBB's in many of our cases, not just telemarketing fraud. Certainly we have been committed, and Chairman Steiger in particular has seen it as a critical function to establish effective working relationships with every group that can help in the battle against consumer fraud.

Miss COLLINS. It seems that I read in your statement that you cooperate with IRS also.

Mr. WHITE. We have received help from IRS in connection with several matters. There are, of course, restrictions on types and nature of information that the IRS can share.

Miss COLLINS. Well, I am sorry we only have about four committee members. It is hard for us to get many of them here, but I wish they were here, because it seems to me that IRS could really be a bulldog in our fight against consumer fraud and investigating, even if it is just information you send to them. Getting them, you

know, like the FBI did, was it with Capone, they couldn't get him on criminal charges, so IRS got him on income tax.

Mr. WHITE. True, although here it seems there are ample criminal remedies available. We find that there is criminal interest in our civil telemarketing fraud cases in the vast majority of cases, and the testimony includes some examples of very effective cooperative work to investigate and to pursue various telemarketing operators.

Miss COLLINS. Mr. White, I don't want to appear naive, but you can go into many of the fast food restaurants and see pads of forms that the consumer fills out to win a trip to Hawaii or a trip to Disney World, and months later, they get a phone call that they have won.

And the consumer has forgotten about filling out those forms. So they said, "How did I win? How did you get my name?" "Oh, did you ever fill out a form, ever in your life?" And I would suspect that most of the people who fill out a form eventually win. This is a fraudulent trip and only have to pay, what is it they call it, operating fees.

Mr. WHITE. Processing costs, right. I certainly have seen cases of that nature.

Miss COLLINS. You have seen those all over in legitimate businesses, those pads are there. Well, it seems to me that some agency can pick up those pads and investigate those companies and stop the fraud before it gets to the point that the consumer is called.

Mr. WHITE. Well, I think that we are looking for ways to get—

Miss COLLINS. Can you send agents out? Do they pick up those kinds of things? Are they ever alerted to that?

Mr. WHITE. We are often in a position where information will be provided to us by consumers or by other law enforcement agencies. We do conduct our own independent investigations. What we are trying to do is focus on the firms that broker the lists of potential consumers or who provide the services and facilities that these people—so that these people used to target the consumers.

Miss COLLINS. What you call boiler rooms.

All right. So you are trying to get at the roots of it?

Mr. WHITE. Exactly.

Miss COLLINS. OK. Thank you very much. This was good testimony.

Mr. WHITE. I appreciate the opportunity to be here.

Miss COLLINS. Mr. Kenneth Hearst, Deputy Chief Postal Inspector. And you have gotten a lot of kudos today, I am happy to hear.

STATEMENT OF KENNETH HEARST, DEPUTY CHIEF, POSTAL INSPECTOR SERVICE

Mr. HEARST. For which we are very pleased, I assure you.

Madam Chairman, as you know, we submitted a rather lengthy testimony because we wanted to be fully responsive to the concerns of this committee. I would like to take about 5 minutes and summarize that testimony.

As you indicated, I am Deputy Chief Postal Inspector for Criminal Investigation. I have asked Jennifer Angelo, our Chief Counsel for Consumer Protection, to join me this morning in the event that

we get into any of our issues concerning some of our civil activity to combat consumer fraud.

We are very pleased to have the opportunity to discuss the current efforts of the U.S. Postal Service to combat mail fraud. And we believe that hearings such as this one are absolutely key in helping to educate consumers and the public, and we appreciate the service that you are doing by having this hearing.

Miss COLLINS. Thank you.

Mr. HEARST. The Postal Inspection Service is the investigative and audit arm of the U.S. Postal Service. Therefore, 2,000 inspectors nationwide who are responsible for protecting postal employees, the mails, and postal facilities from criminal attack and for protecting the American public from being victimized by fraudulent schemes involving the mails.

We are also responsible for keeping postal management informed of operating conditions within the Postal Service and for protecting the Postal Service against fraud, waste, and abuse. We have performed these duties for over 200 years and are one of the oldest law enforcement agencies.

We enforce a number of statutes which allow us to take action against fraudulent practices involving the use of the mails. Our primary weapons are two statutes originally enacted over 100 years ago of the criminal mail fraud statute and the civil postal false representation statute. The mail fraud statute defines as a felony any intentional use of the mails to defraud. Violators are subject to fines and imprisonment, and where the proceeds of the crime are used to further it or are concealed, we have authority under the money laundering statute to forfeit those proceeds or property they were used to acquire.

The false representation statute allows the Postal Service to take administrative action to return to the senders all mail sent in response to any false advertisement which seeks to obtain money or property by mail and to order the promoter to cease and desist.

Because these proceedings are time consuming, two Federal injunction statutes allow us to take prompt, interim action against deceptive mail practices. In addition, two other statutes allow us to detain mail addressed to false or fictitious names or addresses used to conduct mail fraud schemes until the claimant identifies himself or herself and proves their entitlement to the mail.

A pitch that can be delivered by mail can, of course, be delivered by telephone or television, and we are seeing more and more of that. Victims can part with their money just as easily by calling an 800 or 900 number or by charging their credit card as they can by sending a check in by mail.

The difference in enforcement is that the inspection service has jurisdiction only if the mail is used. Oftentimes, fraudulent operators attempt to avoid use of mail—as you heard some of panelists this morning discuss—due to the effectiveness of the statutes that we enforce, and we believe because of the excellent reputation of postal inspectors.

Over of the past 2 years, the inspection service has increased its work hours devoted to mail fraud, including consumer fraud. Last year, we dedicated almost 23 percent of our resources to mail fraud even with all the other heavy responsibilities that we have.

During that time, we have obtained State or Federal convictions of over 1,600 persons on fraud charges. Of that number, approximately 29 percent related to consumer fraud. In connection with consumer fraud cases, criminal penalties of \$20.9 million were received. Restitution of almost \$65 million was made in civil penalties or fines of over several hundred and \$24,000 were imposed.

In consumer fraud cases, we give high priority to medical fraud cases, schemes directed toward the elderly and minorities, merchandise misrepresentation schemes, and cases which have a substantial public impact.

We learn about potential frauds primarily from consumer complaints we received directly from members of the public or from public and private consumer protection agencies and organizations such as those that were represented in the first panel. All told, we received approximately 142,000 complaints and inquiries related to consumer fraud last year.

We also actively seek to identify fraudulent schemes by employing a clipping service which reviews nationally circulated magazines and newspapers for suspicious advertisements. Whether or not a complaint triggers an investigation in ultimately civil or criminal proceedings depends on a number of factors, including the number of consumer complaints, if any, and the amount of dollar loss to victims.

Whether the class of victims or the type of scheme is one that has been assigned a high priority, our ability to prove a suspect's intent to defraud, which is a required element in criminal cases, the identity and history of the promoter, and whether in the past they have been willing to resolve consumer complaints.

Whether another agency has an active investigation against the promoter. And finally, the prosecutive climate in the area where the case would be presented.

The inspection service shares information and resources with other Federal agencies for joint investigations and on an ongoing basis, as a participant of a number of task forces and other organized groups which exchange information and develop antifraud strategies and which are listed in some detail in our written testimony.

The inspection service is a member of the Department of Justice multi-agency task force on insurance fraud, boiler rooms, telemarketing, securities fraud, and national health care fraud. Other member agencies include, among others, the FBI, Secret Service, Federal Trade Commission, and the Department of Justice. These groups meet quarterly to share information to stay informed about changes in the laws and recent court decisions and to discuss enforcement strategies.

In addition, postal inspectors participate in regular events sponsored by the Law Enforcement Coordinating Committee which is an organized effort run by the U.S. attorneys to coordinate law enforcement in each judicial district.

On a local level, we have good working relationships, as you heard this morning, with consumer protection agencies and Better Business Bureaus. Those organizations give us valuable information on schemes and often provide us with potential witnesses for our cases.

We recognize that we do not have the resources to proceed against every fraudulent scheme and we try to address that problem with our prevention program which is designed to attack the problem by educating the public, to keep them from being victims of fraud.

Our prevention strategies include a public awareness project that produces public service announcements, brochures, and posters warning consumers about the signs of fraud and other presentations.

We have recently taken our deceptive advertisement to the public in order to reach those most likely to be victimized. Individuals who respond to our phone advertisements hear a message from an inspector warning not to fall for similar advertisements in the future, and while that may be frustrating to them, we feel that it is better they hear from us than some con artist.

I would like to express again our appreciation for your offer to help us obtain legislative improvements in the statutes we use to combat fraud and misrepresentation and to consider other legislation. We have included several proposals in our written testimony.

Again, we also believe these hearings are very important in educating the public. Again, I would like to say thanks to those witnesses from the consumer protection agencies on behalf of all postal inspectors working in mail fraud investigations for their comments. I will pass that word on to the people in the field working on these important cases.

Thank you very much.

[The prepared statement of Mr. Hearst follows:]

PREPARED STATEMENT OF KENNETH HEARST, DEPUTY CHIEF, POSTAL INSPECTOR SERVICE

Madam Chairwoman, I am Kenneth M. Hearst, deputy chief postal inspector for criminal investigations. I am accompanied by Jennifer Y. Angelo, Chief Counsel for Consumer Protection. We are delighted to have this opportunity to discuss the current efforts of the United States Postal Service to combat mail fraud.

The postal inspection service is the investigative and audit arm of the U.S. Postal Service. The postal service employs 2,000 postal inspectors, who are responsible for protecting postal employees, for protecting the mails and postal facilities from criminal attack, and for protecting the American public from being victimized by fraudulent schemes involving the mails. Under our duties as the Inspector General of the Postal Service we also are responsible for keeping postal management informed of operating conditions within the postal service and for protecting the postal service against fraud, waste and abuse. We have performed these duties for over two hundred years and are one of the oldest Federal law enforcement agencies.

We enforce a number of statutes which allow us to take action against fraudulent practices involving the use of the mails. Our primary weapons are two statutes originally enacted over a century ago: The criminal mail fraud statute (18 U.S.C. § 1341) and the civil postal false representations statute (39 U.S.C. § 3005).

The mail fraud statute defines as a felony any intentional use of the mails to defraud. Violators are subject to fines and imprisonment, and where the proceeds of the crime are used to further it or are concealed, we have authority under the money laundering statutes (18 U.S.C. §§ 1956, 1957) to forfeit those proceeds or property they were used to acquire.

The false representations statute allows the postal service, after completing administrative proceedings, to return to the senders all mail sent in response to any false advertisement which seeks to obtain money or property by mail and to order the promoter to cease and desist. Failure to obey a cease and desist order can result in fines of \$10,000 per day (39 U.S.C. § 3012). Because these proceedings are time-consuming, two Federal injunction statutes allow us to take prompt, interim action against deceptive mail practices: One provides for a mail detention pending conclusion of the administrative litigation (39 U.S.C. § 3007); the other allows the Federal

District Courts to issue injunctions against the continuation of mail fraud schemes (18 U.S.C. § 1345). The former is used in civil proceedings, while the latter is based on reason to believe that criminal fraud is being, or about to be committed. In addition, two other statutes allow us to detain mail addressed to false or fictitious names or addresses used to conduct mail fraud schemes until the claimant identifies himself and proves his entitlement to the mail (39 U.S.C. §§ 3003, 3004).

Con artists are successful because they gain the confidence of a trusting public. And while the particular match between swindles and targeted victims varies, the techniques used by the con artists tend to be very similar in that they play on the fears or the dreams of the public. During the hundred-plus years that the mail fraud statute has existed, the types of fraudulent schemes have repeated themselves, with the major variable being the amount of dollar loss associated with each scheme. While the mails are used in the cases we investigate, the same con games can be conducted outside the mail. A pitch that can be delivered by mail can be delivered by telephone or on television, as by infomercial. Victims can part with their money just as easily by calling an 800 or 900 number or by charging their credit card as by paying by mail. The difference in enforcement is that if the mail is used the inspection service is involved, but if the mail is not used, we have no jurisdiction. Oftentimes, fraudulent operators attempt to avoid use of the mail due to the effectiveness of the statutes postal inspectors enforce and, we believe, because of the excellent reputation of our inspectors.

Over the past two years the inspection service has increased its work hours devoted to fraud. Last year we dedicated almost 23 percent of our resources to fraud. During that time we obtained State or Federal convictions of 1663 persons on fraud charges; of that number, approximately 29 percent or 475 related to consumer fraud. This was an increase of 24.5 percent over total fraud convictions for the previous year, and an 18.5 percent increase in consumer fraud convictions. In connection with the consumer fraud cause, criminal penalties of \$20.9 million were assessed, court-ordered restriction of \$56.85 million and voluntary restriction of \$7.65 million was made, and civil penalties or fines of \$724,628 were imposed.

Under our civil administrative actions program we obtained 246 cease and desist orders. In all cases where we obtain cease and desist orders where there was mail coming in to operators of a scheme, mail containing remittances was returned to consumers either by judicial order or by consent agreement. We also withheld delivery of mail to 94 persons who were using fictitious names in connection with fraud schemes.

Postal service anti-fraud efforts are directed from national headquarters and have been broken down into five primary groups: consumer fraud, frauds against business, (such as insurance fraud), frauds against the postal service (such as contract fraud), frauds against the government (such as false applications for loans or the filing of false Medicare claims) and miscellaneous other frauds. Within each of those programs, we prioritize types of cases based on a number of criteria. In consumer fraud cases, the largest single group, we give high priority to medical fraud cases; schemes directed toward the elderly and minorities; merchandise misrepresentation schemes; and cases which have a substantial public impact (either a large number of victims and dollar loss or schemes which target a particular class of vulnerable persons, such as hurricane victims).

Because cases and circumstances vary, I can describe typical, but not universal, procedure and standards that determine whether potential mail fraud cases are investigated, and whether criminal, civil, or both criminal and civil action are taken. I will first describe how we become aware of fraudulent schemes, and then discuss the process that inspectors go through in determining how an investigation will be conducted.

We learn about potential frauds primarily from consumer complaints received directly from members of the public; from local, state or federal consumer protection and law enforcement agencies; from organizations such as the better business bureau; from postal employees; and from members of Congress on behalf of their constituents. We can also learn about a scheme from a United States Attorney or from an employee of a company who becomes suspicious of the company's activities and contacts the inspection service. All told, we received approximately 142,000 complaints and inquiries related to consumer fraud last year.

We also actively seek to identify fraudulent schemes through our publication monitoring program. We employ a clipping service which reviews nationally-circulated magazines and newspapers for suspicious advertisements. Through this program we target specific types of ads which seek payment through the mail for frequently misrepresented products or services such as weight loss pills, work-at-home programs, credit cards, and advance fee loan offers.

Consumer complaint and inquiry letters are forwarded to inspection service support offices in Chicago, Newark and Memphis. The information on the complaints, including the name and address of the company, the person complaining, and any amount of money the complaining consumer has lost, is entered into our database. The support office sends a letter to each person who has complained, acknowledging the complaint and letting the complainant know whether the inspection service is currently investigating the company or that a case has been filed against it.

We recently redesigned our computer database, changing it from a group of regional systems to a national database where all complaint information is recorded. We have updated and augmented the standard letters we send to complainants, to make them more responsive.

When complaints about a particular company begin to arrive, the support group usually writes to the company in an attempt to resolve the complaints. The majority of complaints are resolved this way and are never referred to fraud investigators in the field for further attention. While we cannot force companies to make refunds, most companies voluntarily comply with our request that they do so.

Investigations of fraudulent schemes are initiated in different ways, but most begin as the result of complaints. In many cases early complaints are ambiguous. An isolated complaint may indicate a business error such as misdelivery or unintended failure to fill an order. The support group normally uses the threshold of 10 complaints or complaints representing \$1,000 in dollar loss before referring a matter to an inspector for preliminary review. Or it may refer a matter immediately if the nature of the complaint suggests fraud or concerns a high priority case such as medical fraud or fraud against the elderly.

The inspector assigned to review the complaint is instructed to conduct a preliminary investigation within thirty days, which usually includes checking with the local better business bureau or consumer protection agency to determine whether they have received complaints or other evidence suggesting a pattern of false or fraudulent activity. After evaluating the matter, the inspector will either formally open an investigation or conclude that further investigation is not warranted and return the matter to the support group. If the matter is closed the information remains in our database, and if we receive additional complaints, we will again send it to an inspector for review.

At the point that an inspector decides to open an investigation he or she does not generally know whether the case will be civil or criminal. Major factors an inspector considers at this point, both in deciding whether to proceed with a case and deciding whether to proceed civilly or criminally, are as follows.

1. The number of consumer complaints, if any, and the amount of dollar loss to victims. Generally, the larger the number of victims and dollar loss, the more compelling the need to take action. However, a full investigation may be appropriate even when few complaints have been received if other factors are present.

2. Whether the class of victims or the type of scheme is one that has been assigned high priority.

3. The ability to prove a suspect's intent to defraud. The major distinction between civil and criminal cases is that in criminal cases the Government must prove that the defendant intended to defraud his victims. Intent is difficult to prove in many instances, because it ultimately requires an ability to prove beyond a reasonable doubt a promoter's reasons for conducting a given promotion.

Thus, while medical fraud cases are a high priority, they are rarely pursued criminally because a promoter's alleged intent to defraud often can be countered by the existence of a scientific study, however outdated or weak, that he has relied upon in making claims for a product. Another situation where intent often is not clear is when a promoter is not shipping merchandise quickly to all customers. While customers are clearly victimized by this failure to deliver, it may be due to poor business practices which must be distinguished from actual intent to deceive customers.

4. The identity and history of the promoter. A scheme conducted by a recidivist can provide convincing evidence of criminal intent.

5. Whether the promoter in the past has been willing to resolve consumer complaints.

6. Whether an agency, such as the Securities and Exchange Commission, the Federal Trade Commission, the FBI, or a State consumer protection agency has an active investigation against the promoter. To avoid duplication of effort, the inspection service might defer to another agency which has already made substantial progress in their investigation, and offer to provide assistance rather than initiate its own action. For example, if another agency is several months into an investigation and the postal service has just begun, we might offer assistance rather than taking a lead in the case. In a recent Florida case, we discontinued a criminal investigation

because the Federal Trade Commission was preparing to file a civil action based on their lengthy investigation.

7. The prosecutive climate in the area where the case would be presented. That climate depends in large part on the resources, workload and priorities of a given United States attorneys office.

If Federal prosecution or other action is declined, an inspector may seek State or local prosecution. This approach also varies with the resources and aggressiveness of local district attorneys. Many States will not pursue a case if the operation or the victims are out of State. For this reason, sophisticated operators, particularly those running boiler rooms, do not victimize persons in the State where their operation is located.

If intent would be difficult to prove the inspector may pursue the investigation as a civil administrative action directly through the postal service law department, independently from the United States attorney. These cases are first sent to inspector attorneys, who evaluate their merits, draft proposed pleadings, and forward them to the law department. Prior to submitting the case to the law department, an inspector attorney may obtain a consent agreement from the promoter. These agreements typically require the promoter to discontinue the challenged practice, return remittances to victims and agree to cease and desist from continuing or resuming the scheme. If a promoter refuses to sign an agreement, the case is referred to the law department for action. Most of these cases are ultimately settled prior to hearing, and cease and desist orders are issued against the promoter.

In ongoing schemes where the promoter is receiving a high volume of mail, the inspector attorneys and the law department work with U.S. attorneys to obtain injunctions under 39 U.S.C. § 3007 and/or 18 U.S.C. § 1345. Section 3007 is useful only where the promoter is seeking to obtain money or property through the mails. Section 1345 is particularly useful in cases where consumers' money is being received by promoters by means other than by mail, for example by 900-number or credit card; when a promoter is receiving mail in many different States and thus a section 3007 injunction in one district will not be effective; or when a scheme has victimized so many consumers that a restitution order under section 1345 is the only adequate remedy. While section 1345 is brought as a civil action, it is based on a violation of the criminal mail fraud statute and thus requires proof of intent.

The inspector attorney or a law department attorney often assists the assistant U.S. attorney in preparing cases under sections 3007 and 1345. Last year, district court judges issued 36 temporary restraining orders under section 3007, which detained incoming mail responding to false representations, and 14 cases were brought under 18 U.S.C. § 1345.

A relatively new option in consumer fraud cases is asset forfeiture under the money laundering and forfeiture statutes. Forfeiture is used when we are able to identify assets of a promoter which can be traced to the illegal activity and are not encumbered by liens, for example, bank accounts or real property. Because a forfeiture action includes no remedy other than seizure of funds, a concurrent criminal or civil action under the fraud statutes normally accompanies any forfeiture action. In two consumer fraud cases in which large sums were forfeited—\$1.4 million in the case against Funderhood, Inc., and \$3.5 million in the case against Joel Nadel et al.—accompanying district court orders pursuant to 18 U.S.C. § 1345 provided that the promoters would not resume their fraudulent activity and that a refund account would be established for the defendants' thousands of victims. The postal service forfeited \$10.8 million in assets in connection with consumer fraud last year.

On the other end of the spectrum are circumstances involving few complaints, low mail volume, and no health risk to the public. We typically handle these schemes without a formal legal action, but instead by obtaining a voluntary discontinuance agreement in which a promoter agrees to discontinue the scheme. These letters have no enforcement provisions, and if a promoter does not keep his agreement the inspection service seeks formal action under the criminal or civil statutes.

Voluntary discontinuance letters are used against individuals involved in smaller schemes, for example, chain letters, shortpaid postage and work-at-home promotions. The inspection service obtained 5,201 voluntary discontinuances for schemes identified through its publication monitoring program in 1992, and 42,999 voluntary discontinuances of chain letters.

INVESTIGATIONS—CRIMINAL

Each investigation is different, but inspectors typically obtain evidence in criminal cases by interviewing victims, suspects and other potential witnesses such as experts. Inspectors obtain documents pertaining to fraud schemes by one of three means:

1. Grand jury subpoenas of documents relating to a scheme
2. Inspector general subpoenas (available only in investigations of fraud, waste and abuse against the postal service)
3. Search warrants Grand jury subpoenas and search warrants are obtained through the United States attorney, while inspector general subpoenas are issued by the agency. The decision to use a particular tool depends upon the operation, the likelihood that the operators will provide information via a subpoena, the likelihood that the information will not be destroyed once a subpoena is issued, and the chance that the operation may cease to operate overnight.

At the conclusion of the investigation, the inspector writes a presentation letter outlining the facts of his investigation and requesting formal prosecution, which he sends to the United States attorney. Once a case is presented, sole discretion to proceed is vested in the U.S. attorney and, if he or she proceeds, the prosecution is handled by the United States attorneys office. If the case is accepted for criminal prosecution the decision to move forward civilly is held in abeyance pending the outcome of the criminal matter.

CIVIL INVESTIGATIONS

Civil investigations under the postal false representations statute differ from criminal in that the inspection service has no subpoena authority except in cases of frauds against the postal service, and search warrants are not authorized. Thus, inspectors must rely upon publicly available documents (such as postal service permit and box applications and corporate documents), test or demand purchases of products, and voluntary interviews of the subject, his employees or his victims.

COORDINATION AMONG AGENCIES

The inspection service shares information and resources with other Federal agencies. We also work closely with State attorneys general, particularly against telemarketing fraud.

The inspection service is a member of the Department of Justice multi-agency insurance task forces on fraud, boiler rooms, telemarketing, securities fraud, and national health care fraud. Other member agencies include the FBI, Secret Service, Federal Trade Commission, Department of Justice, and in some cases the Internal Revenue Service and commodities regulators. These groups meet quarterly to share information, to stay informed about changes in the law and recent court decisions, and to discuss enforcement strategies.

The health care fraud task force was formed in the fall of 1991. Its members include representatives from the Departments of Justice, Labor, Defense, and Health and Human Services, the Drug Enforcement Administration, the FBI, US Attorneys Offices, and others. An example of Federal enforcement coordination arising from that task force is the recent criminal case against Michael and David Smushkevich. The defendants operated rolling laboratories in California and Missouri which offered free physicals to elderly and other individuals. Before providing any services they induced patients to sign insurance forms; they then billed the patients' Medicare, Medicaid and private insurance for tests that they had not performed, or for unnecessary tests and procedures. The Government has accepted guilty pleas from individuals involved in the fraud. While the postal service was the lead agency in the investigation, we received extensive assistance and information from other members of the health fraud task force.

The insurance fraud task force also was formed in September of 1991. Its members include the Department of Justice, Internal Revenue Service, the Customs Service, the FBI, the Department of Labor, and other agencies. It was formed to develop strategies to combat the fraud which was contributing to a potential insurance industry collapse like that which occurred in the savings and loan industry. Among the results of the task force was the development of a single form that insurance companies can now file with the FBI when they suspect fraudulent claims. This information is available to all members of the task force.

The recent case against F.D. Roberts Securities, Inc. for its massive stock manipulation scheme resulted from the coordinated efforts of several law enforcement agencies. F.D. Roberts was jointly investigated by the FBI (as the lead agency) and, among others, the Securities and Exchange Commission, the Internal Revenue Service, the Postal Inspection Service and the New Jersey Bureau of Securities. The investigation culminated in over 30 criminal prosecutions by the U.S. Attorneys Office and successful civil enforcement and administrative law proceedings by the New Jersey Office of the Attorney General. A restitution account has been established for victims of the scheme.

The inspection service participates in regular events sponsored by the Law Enforcement Coordinating Committee (LECC). The LECC is run by the United States Attorneys in each judicial district, and the number of LECC activities varies widely among districts. In areas where the LECC is active, monthly meetings are held among United States Attorneys, Federal law enforcement agencies and local police and prosecutors. These meetings are used to exchange information and discuss strategies for particular types of cases.

An example of typical coordination and information-sharing on the local level is the close working relationship the Detroit division of the inspection service has with the Detroit Office of Consumer Affairs. Esther Shapiro, the director of the Detroit Office of Consumer Affairs, is also testifying at this hearing.

The Detroit division has successfully pursued a number of fraudulent schemes in the Detroit area with evidence and other assistance from Ms. Shapiro's office. The actions we have coordinated include a \$30,000 forfeiture action against Perone Associates for their fraudulent credit offer; an administrative action against an employment scam run by Universal Cruises; an ongoing investigation of Ralph Shotanus and Bell Industries for their computer sales promotions; an ongoing civil investigation of Jack Wein for a modeling jobs advertisement; and numerous work-at-home schemes.

In Philadelphia, the inspection service is the lead agency on a major working task force on insurance fraud which includes nine member agencies, including the Philadelphia Police, FBI, United States Attorney and a number of insurance companies. The task force carries an open case load of more than 70 cases, and in most of these cases a doctor, lawyer or organized crime figure is the primary target. The task force and the inspection service recently received the prestigious Gold Medal Award from the Philadelphia Federal Executive Board for the outstanding professional performer-group.

I am on the board of governors of the National Health Care Anti-fraud Association (NHCAA), whose members include hundreds of insurance companies, the FBI, Department of Justice, U.S. Department of Health and Human Services, Health Care Financing Administration, National Association of Medicaid Fraud Control Units, and the Florida Medicaid Fraud Control Unit. The NHCAA's mission is to improve the detection, investigation, civil and criminal prosecution, and prevention of health care fraud. Its goals include improved coordination and information-sharing between the government and the private sector to aid investigation and prosecution of health care fraud.

The inspection service regularly coordinates with the Secret Service, which has jurisdiction over credit cards, in telemarketing investigations. We regularly share information with them and when we have concurrent investigations of a telemarketer, we get them in touch with our investigator, and they do the same for us. We have offered this service to other agencies as well.

The inspection service does not typically conduct joint consumer fraud investigations with the Federal Trade Commission. The authority under which each agency operates is distinct. We often are exercising criminal investigative authority involving grand jury secrecy restrictions which preclude a sharing of information. In cases not subject to these constraints we share information and seek to be aware of each other's activities.

PREVENTION

We recognize that we do not have the resources to proceed against every fraudulent scheme, and to address that problem the inspection service places emphasis upon its prevention program designed to attack the problem from the other end: by educating the public to keep them from being victimized by these schemes. I would like to share a few examples of our prevention efforts with you.

A recent poll conducted by Louis Harris and Associates found that virtually all American adults (92%) had received a post card or letter informing them that they were a definite winner of a free prize, and that 29% of those had responded to the mailing. Based on that information, the inspection service recently mailed to 200,000 persons a postcard congratulating them for winning a sweepstakes prize. The notice, which was developed in cooperation with the Federal Trade Commission and the Direct Marketing Association, is attached to this testimony as attachment 1. It resembles a typical fraudulent sweepstakes notice and guarantees the recipient one of five valuable prizes. The card instructs recipients to call an 800-number for information on their prize. When consumers called the number, instead of learning what prize they had won, they heard a taped message from the inspection service explaining that most prize offers are fraudulent and warning consumers never to

pay money to receive a prize. A transcript of the tape is attached to this testimony as attachment 2.

This prevention mailing was very successful; to date, approximately 55,000 or 28% of those who received the post card have called and heard the taped message. The inspection service plans to use similar mailings in the future to educate the public.

A similar prevention program was conducted a couple of years ago. We placed advertisements offering loans to people with poor credit. The ads were similar to those used by scam artists who conduct advance fee loan swindles where an up-front fee is charged for a loan that never materializes and the victim is in no position to sustain further losses. When the potential victim called the toll free number in the ad, he or she listened to a message from a postal inspector explaining how many advertisements of this type are scams.

The inspection service participates in a number of other prevention activities, including appearing on radio and television programs aimed at educating the public about fraud, producing anti-fraud public service announcements, assisting action line and other consumer reporters in their education efforts, setting up booths and displays at conventions and conferences, putting up posters in post offices warning customers to beware of offers that seem "too good to be true," and participating in educational activities as a member of the crime prevention coalition. Our inspectors in charge are engaged in an active program to meet with mailer and consumer groups to warn them of current scams and explain how they can obtain assistance from the inspection service. The inspection service publishes brochures in English, and in some cases also in Spanish, warning people about common frauds. Attached to this testimony as attachment 3 is an inspection service brochure entitled "don't take the bait!"

In addition, the inspection service recently has sought assistance from mailers groups like the Direct Marketing Association and the Advertising Mail Marketing Association. We have asked their members to help protect public confidence in direct mail marketing by telling us ways that mailers defraud the public, and to give us advance warning when they are aware of fraudulent mailings that are being disseminated. We are hoping that this cooperation will help us to identify frauds even before we begin receiving complaints from victims.

Madam Chairwoman, I would like to express our appreciation for your offer to help us obtain legislative improvements in the statutes we use to combat fraud and misrepresentation and to consider other legislation. Among the changes we have been working on is an amendment of the mail fraud statute to allow us to forfeit property fraudulently acquired and, consistent with an agreement we have with the Department of Justice, to allow the postal service to retain the proceeds of mail fraud forfeitures resulting from its criminal investigations. Under current law, before we can seize and forfeit assets, we must prove that, in addition to fraud, the promoter violated the money laundering statutes. In my judgment, taking the profits away from the con artists is the best way to discourage these scams.

To enable us to improve the use of our civil misrepresentation statute, we have recommended that we be given the authority to issue civil investigative demands for documents and testimony. The lack of such authority seriously hampers our ability to deal with some types of fraud schemes—phony charities being a prime example—and delays our ability to obtain injunctions in many of our cases.

S. 3376, introduced in the last Congress by Senator Pryor contains the legislative changes we have discussed in this testimony and others. We would, of course, be pleased to work with your staff regarding legislative changes that we believe would be of help.

In addition, we have supported congressional efforts to enact a private courier fraud statute separate from the mail fraud statute. Such legislation would prohibit the use of private courier services to avoid violations of the mail fraud statute, but it would not address that issue as part of 18 U.S.C. § 1341. We feel a separate statute addressing private courier service would best maintain the integrity of mail fraud precedents which are based on the postal service's government identity, while still making the substantive provisions of the mail fraud law applicable to private couriers.

The inspection service and other law enforcement agencies could take action more quickly against telemarketers if we were authorized direct access to telephone subscriber information from telephone companies and 800- and 900-number service bureaus. This would provide access comparable to that available under postal regulations, which grant public access to information on post office box applications when the applicant is doing business with the public. Currently, we need a subpoena to obtain this information from a telephone company. While subpoenas may be avail-

able in some cases, in civil investigations they are not; moreover, companies do not always comply with subpoenas.

We would also encourage legislation to require telemarketers to post a bond as a condition of obtaining multiple telephone lines, so that funds for victim refunds would automatically be available if a telemarketer left town. Legislation along these lines was discussed last year.

Congress could also bolster the mail fraud statutes by requiring businesses using commercial mail receiving agencies to identify their addresses as boxes, and not as "suites" or "offices."

Finally, we support H.R. 868, the telemarketing bill which as been passed by both the House and the Senate. Among the bill's provisions is a section which instructs the Federal Trade Commission to establish a clearinghouse for inquiries made to Federal agencies about telemarketing. We support the House version of this provision because it immunizes information providers from liability for information they provide to the line as long as they believe the information to be correct. This would encourage more people to provide information.

At this time, I would be pleased to answer any questions you may have.

National Unclaimed Sweepstakes
 Notification Bureau
 P.O. Box 837
 Columbus, OH 43216-0837

FIRST CLASS MAIL
 POSTAGE & FEES PAID
 USPS
 PERMIT NO. G-10

This is your OFFICIAL PRIZE NOTIFICATION
 and it won't cost you a penny!



Do not throw
 this notification
 away!

THAT COULD
 COST YOU
PLENTY!!

You are a winner! CONGRATULATIONS!!

National Unclaimed Sweepstakes Prize
 Notification Bureau has great news for
 you today! You are a confirmed winner of
 one of the prizes listed below:

WIN CLAIM NO.
67-897-00-B-3

1. **CASH MONEY**...*Could you use a \$10,000 cashier's check?*
2. **FREE VACATION IN PARADISE**...*Would you be interested in Hawaii?*
3. **1993 LUXURY AUTOMOBILE**...*Put yourself behind the wheel*
4. **DIAMOND NECKLACE**...*A timeless treasure for the lady.*
5. **HOME ENTERTAINMENT CENTER OF YOUR DREAMS**...
35" Stereo TV, VCR, and more.

For important information about your FREE PRIZE OFFER,
 call...

1-800-448-5656

Washington, DC residents call 202-268-5656

REVISED POSTCARD AUDIO SCRIPT

Thank you for calling our toll free 800 number. Please take a minute to look carefully at that pink postcard in front of you. Take a hard look. It says you're a confirmed winner of a fantastic free prize, and suggests that all you have to do to claim it is pick up the phone and call a toll free number. Do you really think you're going to get off that cheap? Not likely.

The hard fact is that these kinds of postcards and letters usually require you to pay your hard-earned money before you receive anything. You may find that your prize is not what you expected, or you may not receive anything at all.

When you receive free prize notifications, sweepstakes entry forms, travel offers or similar gimmicks, ask yourself a few tough questions before you part with your cash. Ask yourself:

"What do I know about this firm's reputation and integrity?"

"Do I have to pay money or buy something before I receive my free prize?"

"Can I take time to think this over? Or are they pressuring me to make a decision right away?"

"Why are they asking for my credit card number before I agree to buy anything?"

If you cannot get satisfactory answers to these questions, throw that postcard or letter in the trash, and save yourself money and grief.

The pink postcard you received was mailed by the U.S. Postal Inspection Service. We investigate federal mail fraud violations and we want to warn people about questionable offers that come in the mail.

Postal Inspectors are using a fictitious company name and address and this pink postcard to attract attention to our 800 number. Why? Because we want to deliver an important warning to the innocent people most often victimized by these scams. We hope our efforts save you or someone you know from losing money to fraudulent promoters. For more information, or a copy of this message, call our toll free Hotline number at 800-654-8896.

Thank you.

**Consumer Fraud...
by phone or mail!**



Published by

**The United States
Postal Inspection Service**

Congressional & Public Affairs Branch
475 L'Enfant Plaza, SW
Washington, DC 20260-2160

Don't take the bait!

When phone calls and postcards are bringing you marvelous offers to buy...

- Vitamins
- Low-cost vacations
- Magazine subscriptions
- Office supplies or promotional items
- Club memberships
- Sure-fire investments

Do they say...

"You've just won a contest, and if you pay shipping and handling' or a 'small gift tax,' it's all yours."

Do they want...

Your credit card number?

If so, you may be the victim of a BOILER ROOM FRAUD.

Direct Marketing is the sale of goods and services by direct contact with the consumer by telephone or mail.

Boiler Room Fraud costs consumers nearly a billion dollars a year. Boiler Room Fraud is the use of the phone or the mail by unethical companies who only want to take your money. It is a growing problem for both individuals and businesses. The best way to protect yourself is to learn to recognize the warning signs.

**DIRECT MARKETING
VS
BOILER ROOM FRAUD**

- Most calls come from firms located out-of-state. The firms work out of large rooms with rows of phones staffed by solicitors trained to repeat a deceptive sales pitch.
- Sometimes these firms send you an enticing or official-looking letter or postcard in the mail urging you to call them.
- Sometimes 900 numbers are used so you'll be billed just for calling them, even if you decide not to purchase anything.

**WHO ARE
THE BOILER ROOM
COMPANIES?**

WHAT DO THE SALESPEOPLE SAY?

Here are some common phrases:

- "You've been specially selected to hear this offer."
- "You'll get a wonderful free bonus if you buy our product."
- "You've won a valuable free prize."
- "This investment is low-risk and provides a higher return than you can get anywhere else."
- "You have to make up your mind right away."
- "You can just put the shipping and handling charge on your credit card."

The callers use well-rehearsed sales pitches designed to sound believable. You may be transferred from person to person, so it sounds like a genuine business setting. A "vice-president" may even call you back to try to convince you to buy. Beware of high pressure pitches that require decisions right now! Legitimate firms will always give you time to think it over.

If you are the victim of a Boiler Room Fraud, you may later find:

- The merchandise you bought is overpriced and poor quality.
- The "free gift" never arrives, or it's worth just a fraction of the "shipping and handling" or "gift tax" you paid.
- The investment turns out to be non-existent, or a loser.
- The donation you thought was going to charity goes into the fundraiser's pocket.
- Unauthorized charges start appearing on your credit card bills.
- 900 number telephone charges are much higher than you expected.

WHAT IF YOU FALL FOR THE BOILER ROOM SALES PITCH?

HOW CAN YOU PROTECT YOURSELF?

- Take your time.
- Don't buy something merely because you'll get a "free gift."
- Get all information in writing before you agree to buy.
- Check out the caller's record with the Attorney General's Office and the Better Business Bureau.
- Don't give your credit card number or checking account number to anyone who calls on the phone or sends you a postcard.
- Check out a charity before you give. Ask a charity how much of your donation actually goes to the charity.
- Be extremely cautious about investing with an unknown caller who insists you must make up your mind immediately.
- If the investment is a security, check with state officials to see if it is properly registered. If large amounts of money are involved, check with your legal or financial advisor.
- Don't send money by messenger or overnight mail. If you use money rather than a credit card in the transaction, you may lose your right to dispute fraudulent charges.
- Hang up instead of being pressured to buy.
- If it sounds too good to be true, it probably is.
- Make sure you know the per minute charge for any 900 number call you make.

ASK YOURSELF THESE QUESTIONS:

- Do I have adequate TIME TO THINK THIS OVER, or am I being pressured for a decision right now?
- Will they send me ADDITIONAL INFORMATION through the mail, putting their statements and promises in writing, or do they refuse?
- Are they insisting on my CREDIT CARD OR CHECKING ACCOUNT NUMBER right now?
- Do they want to SEND OVER A PRIVATE COURIER tonight for my check?
- Is my "free gift or prize" really free, or DO I HAVE TO PAY A REGISTRATION FEE OR SHIPPING AND HANDLING CHARGE before receiving anything?

DON'T TAKE THE BAIT!

If the answer to any one of these questions is yes... BEWARE!

Take time to consider the offer, get additional information and advice, and resist the "take it or leave it" high pressure tactics so often used by boiler room pitches. See the next page for agencies which can provide additional information.

For more helpful information about the firm or offer you are considering, contact any of the following, preferably in the city or state where the firm is located:

State and Local

Consumer Protection Agencies

Better Business Bureau

State Attorney General

Chamber of Commerce

State Securities Regulator

Federal Trade Commission

Federal Bureau of Investigation

OR

The U.S. Postal Inspection Service

If you think you are the victim of a boiler room fraud, save all documentation of the transaction, including postcards, cancelled checks, telephone bills, credit card statements and mailing envelopes. Make detailed notes of your telephone conversations by date and time, and write down the important statements made by each individual who spoke with you.

If any part of your transaction took place through the U.S. Mail, including the receipt of promotional literature or the mailing of payment, we urge you to contact the nearest postal inspector. If necessary, your local postmaster can provide the inspector's address, or write directly to:

**THE CHIEF POSTAL INSPECTOR
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-2160**

*Prepared in cooperation with
The Economic Crime Task Force, Bellevue, Washington.
Notice 281, July 1992.*

Miss COLLINS. Thank you, Mr. Hearst. I would like to know, is there a cooperation with the U.S. postal inspectors and the FCC and the FTC?

Mr. HEARST. Yes. We work with all of those agencies.

Miss COLLINS. Closely?

Mr. HEARST. Not all of our cases overlap, of course. I think that we find ourselves working more with the FTC in the plague of boiler rooms that we see erupting. Sometimes I feel akin to the people back in my hometown of St. Louis now that are fighting off the flooding waters of the Mississippi.

There is just more fraud out there all the time, particularly in some of these boiler room operations. They are like snakes nests. You stamp one out and they spread out and they go somewhere else, and it is very frustrating for law enforcement. We do work very closely with the FTC and the FBI in those cases because we have just got to work together. And even with that, I feel that you know we have got a lot of work to do to keep focusing on those heinous kinds of fraud.

Miss COLLINS. Medical scams have been a high priority with your agency. Are any other consumer people here. Are you still here?

I have seen something that constitutes fraud, to my way of thinking, but it is not illegal. And that is that some of the medical insurance companies bill senior citizens at the same time they bill Medicaid. And the senior citizens, because of their mind-set, you know, strong work ethic, they pay bills. If it looks like a legitimate bill, they are going to pay it.

And I personally called a medical insurance company to ask why they had sent that bill and would not Medicaid pay that bill? And they said, yes, they will, but they are so slow paying the bill, that they bill the consumer or the patient. And then they said the patient can apply to Medicaid for reimbursement.

But nowhere does it say, if you pay this bill, you should apply to Medicaid for reimbursement. So consequently, that company is getting paid twice because Medicaid does not know that the patient has paid the bill.

Doesn't that seem fraudulent to you?

Mr. HEARST. I don't know if it would specifically be fraudulent as defined in the mail fraud statute, because intent is an important element there. But it certainly is a troubling kind—

Miss COLLINS. You know it happens, don't you?

Mr. HEARST. Absolutely.

Miss COLLINS. And they are getting paid double probably by millions of people in this country.

Mr. HEARST. Presumably, they should make adjustments once they get the subsequent payment. But whether or not they do, I don't know. You know, that is a problem and I—actually, I think those kinds of things would be more under the jurisdiction of Health and Human Services, and I would encourage maybe contact with them as to what kind of a problem they have.

Miss COLLINS. I have got something better. I am going to ask my good friend, Chairman John Dingell to look. Maybe we can stop that. Because whereas it may not be criminal in the legal system,

it is criminal in what happens and the results. Staffers make a note. Maybe that is one thing we can put a stop to.

Mr. HEARST. I like that kind of direct action.

Miss COLLINS. Thank you. Let's see.

How do you decide what types of consumer mail fraud gets priority for investigation? Is it the number or the—is it the amount of money involved or the number of complaints that come in?

Mr. HEARST. It is those things and more. As I indicated, we have something like only 350 postal inspectors devoted to mail fraud. Last year, we made 2,000 arrests in those cases. We currently have about 5,000 ongoing investigations. So you can divide those numbers and see that our inspectors are very, very busy.

We do look at the number of complaints, the amount of loss, the impact on the economy, the impact on consumers. We also look at the kind of victims. You mentioned elderly people. We are very sensitive to mail fraud schemes directed at the elderly because, you know, we do know that they are very often targeted.

I have an elderly father-in-law and, you know, he has responded in spite of my counsel to him to some of these sweepstakes kinds of things. And once they respond, they get inundated, they get confused. It is really a difficult problem.

Miss COLLINS. They get on a list.

Mr. HEARST. Right. We do work very hard on those kinds of investigations. Also, you know, you find in things like I mentioned the flood earlier. When there is a natural disaster, sometimes it is amazing how fast some of these scam operators move into some of these areas and promote various kinds of schemes to defraud. We aggressively try to focus on those.

We also work closely with the Justice Department to try to make sure that we are considering their priorities and the national priorities of the administration with regard to fraud. So all of those kinds of things help us to focus our efforts, we think, in the best way possible.

Miss COLLINS. Did you participate in the retreat?

Mr. HEARST. We did indeed, and it was very helpful.

Miss COLLINS. Very good.

What happens to the forfeited proceeds that you collect?

Mr. HEARST. Those, we either share them with other agencies who may have assisted us in this investigation.

Miss COLLINS. Federal agencies?

Mr. HEARST. Actually, primarily State and local agencies.

Miss COLLINS. Can you get a computer to Mrs. Shapiro.

Mr. HEARST. Unfortunately, they are not a law enforcement agency.

Miss COLLINS. Only law enforcement agency?

Mr. HEARST. We do some sharing there. I might also say that the money that we were able to identify and forfeit last year went to the Postal Service, so we actually were able to cover a substantial portion of our budget with those kinds of funds. So we are able to apply those back into law enforcement.

Miss COLLINS. You can't help the local consumer agencies?

Mr. HEARST. Wish we could, but we can't.

Miss COLLINS. Is that by law?

Mr. HEARST. Yes.

Miss COLLINS. I wonder if—there is like a finder's fee when you report some fraudulent or—yes, criminal activity where half of the proceeds go to the person who reported it. I read that recently. I think it was something in Florida, like a finder's fee.

I wonder if we could have legislation, perhaps, to do something likewise when the local consumer agencies make the report to the FTC or the Postal Service, and in fact money is recovered, that does not go to the victim, that some of the money is shared with the reporting agency.

Mr. HEARST. I think that is something worth looking into.

Miss COLLINS. OK. Thank you very much.

Mr. HEARST. Thank you.

Miss COLLINS. I am probably taking too long, but I think we are getting some valuable information.

Mr. Frederick Verinder, Deputy Assistant Director, White Collar Crime, FBI.

STATEMENT OF FREDERICK VERINDER, DEPUTY ASSISTANT DIRECTOR, WHITE COLLAR CRIME, FEDERAL BUREAU OF INVESTIGATION

Mr. VERINDER. Good morning, Madam Chairman. Thank you for providing the FBI the opportunity to appear before your committee today to provide information on an important matter. As you are aware, the FBI has broad jurisdictional matters.

Miss COLLINS. Excuse me. The reporter is having problems hearing you. You want to bring the mike very close to you.

Mr. VERINDER. As you aware, the FBI has broad jurisdictional investigative responsibility across lines of white collar crime, drugs, organized crime, violent crimes, and terrorism.

The use of the Federal mail fraud statute cuts across the boundaries of all of these programs. However, it is the mail fraud statute along with the wire fraud statute that works so well, hand in hand, to provide the FBI a nexus into criminal violations not specifically covered by the other Federal laws. The mail fraud and wire fraud statute are two of our primary weapons to fight consumer swindles.

Examples would include telemarketing fraud, insurance fraud, security fraud, Ponzi schemes, advance fee schemes, and an endless list of confidence games. But as you are aware, in those limited specific instances where fraud scheme involves only the violation of mail fraud, the primary jurisdiction would rest with the U.S. Postal Inspection Service.

Due to the broad application of the mail fraud statute, the FBI collects limited statistics as they specifically relate to mail fraud. As of the close of the second quarter of fiscal year 1993, the FBI had in excess of 20,000 white-collar crime investigations pending. It is our estimate that between 10 to 20 percent of the white-collar crime cases, when charged, will eventually use the mail fraud statute.

Mail fraud, simply put, is the use of the U.S. mail in the furtherance of a scheme to defraud or attempt to defraud something of value from an individual or entity. The statute has been applied in many different types of prosecutions.

A recent example of how the FBI and Justice Department have applied the mail fraud statute in a criminal matter can best be

seen in the dramatic conclusion of our three-year undercover operation code named Operation Disconnect. This undercover operation attempted to direct the limited FBI resources against the growing national crime problem of telemarketing fraud.

As of March 4, 1993, Operation Disconnect identified 120 illegal telemarketing operations and more than 540 individuals who remain fraudulently obtaining money from victims in almost every State in this country.

On the initial take-down day, we arrested 210 individuals and searched 79 locations. I am pleased to report that as of last week, Operation Disconnect is responsible for over 300 individuals having been charged in Federal court for their participation in the fraudulent telemarketing operations.

Of these 300 subjects, 33 percent were charged with violations of the mail fraud statute. The remaining subjects were charged with violating the fraud by wire statute.

I want to point out that the telemarketing fraud crime problem is estimated to cost the American public up to \$40 billion per year. At the FBI, we see telemarketing fraud as a significant crime problem, but we would not characterize it as solely a mail fraud problem.

Miss COLLINS. Excuse me a moment, Mr. Verinder. What is the wire? Is that telephone or television, the wire fraud.

Mr. VERINDER. Telephone, where it is used primarily in these telemarketing but they are backed up with the use of the mail. For the most part, the U.S. mail, but on occasions, we found in Operation Disconnect using the private carriers.

Miss COLLINS. Yes. All right. Thank you.

Mr. VERINDER. Which then takes it out of the Federal arena. But we were able to come in with other areas of investigation to tie it together.

Miss COLLINS. Thank you.

Mr. VERINDER. Every day, each of the FBI's 56 field offices and over 400 resident agencies receives complaints of fraud from the general public. In addition, criminal referrals are received from the Federal, State, and local prosecutors, State regulatory agencies, consumer affairs groups, and from many other sources.

Today, in order to more effectively and efficiently address a particular crime matter or an identified crime problem, local FBI offices have established working relationships with their many Federal, State, and local law enforcement and regulatory counterparts.

To further facilitate this effort, liaison has been established at the FBI's headquarters level to better coordinate national initiatives. This is evidenced by our participation in national working groups such as the Attorney General's insurance fraud working group, the health care fraud working group, the bank fraud working group, and telemarketing fraud working group.

I would like to provide you with some insight into just one of these working groups, the national telemarketing fraud working group. This working group, chaired by the Department of Justice, is comprised of numerous Federal law enforcement agencies, National Association of Attorneys General, various assistant U.S. attorneys, and other outside interested parties.

Through this working group, a forum has been established to address the telemarketing fraud crime problem from a national perspective.

As a result of participation in this working group and through continued liaison with the Federal Trade Commission in Washington, DC, the FBI is in the process of seeking approval for full participation in the National Association of Attorneys General, FTC telemarketing fraud data base. I will comment on that later.

Through the FBI's participation in this system, FBI field offices will have better access to information about telemarketing operations that are generating consumer complaints throughout the United States.

Madam Chairwoman, after a very successful operation and working very closely with the FTC on Operation Disconnect, the use of this data base came to our attention in the spring of 1993. Our Los Angeles field office participated with very important results. In the fall of 1993, we hope to have our 56 field offices able to access the information, and very shortly thereafter, the FBI will provide input into the system.

The form has been revised for input, so we have no violations of informant information or grand jury information, so the information that will go in would be acceptable under law enforcement provisions. We look forward to that database and sharing information across the board with all Federal and local law enforcement agencies.

In addition, the FBI will provide key information from the complaints that are received into this database for the FTC to input into the telemarketing fraud database. The FBI believes this system, when fully implemented, will assist all members.

However, the best level of cooperation between law enforcement agencies begins in our 56 field offices. In the battle against consumer fraud, it is my opinion that at the FBI, we have an excellent working relationship with the U.S. Postal Inspection Service and with other Federal, State and local law enforcement agencies.

For example, when we receive a complaint, the FBI field supervisor will consider the need to contact another investigative agency in order to coordinate a response or to refer, if it does not meet a case we are working on, to that agency. The FBI field supervisor makes a decision based on the national priorities, identified local crime problems, and the guidelines developed with the local U.S. attorney.

If the decision is made to pursue an investigation unilaterally, a full field investigation is quickly begun. Logical investigative leads will be pursued in an effort to uncover the facts surrounding the allegations set forth in the original complaint.

During the investigative process, consideration will be given to which particular Federal statutes and elements would best apply. However, the final determination is left to the U.S. attorney.

Today, the very nature of a typical fraud scheme necessitates the need for criminals to utilize the U.S. mail, and as I mentioned earlier, private courier services, and the public telephone system to move information and documentation to and from their intended victims.

The U.S. mail service is still the most popular means of moving physical documentation from one individual to another. However, in recent years, we have noted that a trend has developed. Due to the effective use of the mail fraud statute by the Federal prosecutors, the criminals have attempted to circumvent the violation by using private carriers or wire services.

If a criminal is successful in avoiding the use of the U.S. mail, the FBI will build a case satisfying the elements constituting a violation of the wire fraud statute or other Federal statutes.

The FBI has had great success in utilizing the mail fraud statute in addressing many different types of fraud and related matters. This statute has proven effective in white-collar crime prosecutions and, therefore, will continue to be prominently considered during the course of our investigations.

Madam Chairwoman, that concludes my comments, and I will be happy to answer any questions you might have.

[The prepared statement of Mr. Verinder follows:]

PREPARED STATEMENT OF FREDERICK VERINDER, DEPUTY ASSISTANT DIRECTOR,
WHITE COLLAR CRIME, FEDERAL BUREAU OF INVESTIGATION

Good morning Madam Chairwoman. I am pleased to appear today before this committee on behalf of the FBI and provide some comments on the FBI's use of the Federal mail fraud statute.

The FBI has broad jurisdictional investigative authority to include white-collar crime, organized crime, violent crime, drugs, terrorism, and other Federal criminal matters. The use of the Federal mail fraud statute cuts across the boundaries of all of our investigative programs. However, it is the mail fraud statute, along with the wire fraud statute, that work hand in hand to provide the FBI a nexus into criminal violations not specifically covered by other Federal laws. The mail fraud and wire fraud statutes are two of our primary weapons to fight consumer swindles. Examples would include telemarketing fraud, insurance fraud, securities fraud, Ponzi schemes, advance fee schemes, and an endless list of confidence games. But, as you are aware, in those limited specific instances in which a fraud scheme involves only the violation of the Federal mail fraud statute, primary jurisdiction would rest with the United States Postal Inspection Service.

Due to the broad application of the mail fraud statute, the FBI collects limited statistics as they specifically relate to mail fraud. As of the close of the second quarter of fiscal year 1993, the FBI had over 20,450 white-collar crime investigations pending. Based on a recent sample, it is our estimate that between 10% and 20% of all white-collar crime cases when charged will eventually involve the use of the mail fraud statute.

Mail fraud, simply put, is the use of the U.S. mail in furtherance of a scheme to defraud, or an attempt to defraud, something of value from an individual or entity. The statute was written very broadly and has been applied in many different types of prosecutions resulting in abundant case law. A recent example of how the FBI and the Justice Department have applied the mail fraud statute in a criminal matter can best be seen in the dramatic conclusion of a three year undercover operation code name "Operation Disconnect." This undercover operation attempted to direct limited FBI resources against the growing national crime problem of telemarketing fraud. As of March 4, 1993 "Operation Disconnect" had identified 120 illegal telemarketing operations and more than 540 individuals who were fraudulently obtaining money from victims in almost every State in the Country. On the initial take-down day we arrested 210 individuals and searched 79 locations. I'm pleased to report that as of last week, "Operation Disconnect" is responsible for over 300 individuals having been charged in Federal court for their participation in fraudulent telemarketing operations. Of these 300 subjects 33 percent were charged with violations of the mail fraud statute. The remaining subjects were charged with violating the Federal wire fraud statute. I want to point out that the telemarketing fraud crime problem is estimated to cost the American consumer up to \$40 billion per year. At the FBI we see telemarketing fraud as a significant crime problem, but we would not categorize it as solely a mail fraud problem.

Every day each of the FBI's 56 field offices and over 400 resident agencies receives complaints of fraud from the general public. In addition criminal referrals are

received from Federal, State and local prosecutors, State regulatory agencies, consumer affairs groups, and from many other sources. Today, in order to more efficiently and effectively address a particular criminal matter or an identified crime problem, local FBI field offices have established working relationships with their Federal State, and local law enforcement and regulatory counterparts. To further facilitate this effort, liaison has also been established at the FBI's headquarter level to better coordinate national initiatives. This is evidenced by out participation in national working groups such as the Attorney General's insurance fraud working group, the health care fraud working group, the bank fraud working group, and the telemarketing fraud working group. I would like to provide you with some insight into just one of these working groups, the National Telemarketing Fraud Working Group. This working group, chaired by the Department of Justice, is comprised of numerous Federal law enforcement agencies, the National Association of Attorneys General, various assistant United States attorneys, and other outside interested parties. Through this working group a forum has been established to address the telemarketing fraud crime problem from a national perspective.

As a result of participation in this working group and through continued liaison with the Federal Trade Commission in Washington, DC., the FBI is in the process of seeking approval for full participation in the National Association of Attorneys General—FTC, telemarketing fraud database. Through the FBI's participation in this system, FBI field offices will have better access to information about telemarketing operations that are generating consumer complaints throughout our country. In addition, the FBI will also provide key information taken from complaints received from the public and provide that information to the FTC for input into the telemarketing fraud database. The FBI believes this system, when fully implemented, will assist those member law enforcement agencies in combating telemarketing fraud.

However the best level of cooperation between law enforcement agencies begins at each of our field offices. In the battle against consumer fraud it is my opinion that at the FBI we have an excellent working relationship with the U.S. Postal Inspection Service and with other Federal, State, and local law enforcement agencies. For example when we receive a complaint the FBI field supervisor will consider the need to contact another investigative agency in order to coordinate a response or to refer to a particular criminal matter to that agency. The FBI field supervisor makes this decision based on our national priorities, identified local crime problems, and with guidelines developed with the local United States attorney. If the decision is made to pursue an investigation unilaterally, a full-field investigation will quickly begin. Logical investigative leads will be pursued in an effort to uncover the facts surrounding the allegations set forth in the original complaint. During this investigative process, consideration will be given to which particular Federal statutes and their elements would best apply to the prosecution of the subjects identified. However, the final determination of what will be charged in court is left to the ultimate discretion of the prosecuting assistant United States attorney.

Today the very nature of a typical fraud scheme necessitates the need for criminals to utilize the U.S. Mail Service, private courier services, and the public telephone system, to move information and documentation to and from their intended victims. The U.S. Mail Service is still the most popular means of moving physical documentation from one individual to another. However, in recent years we have noted that a trend has developed, due to the effective use of the mail fraud statute by Federal prosecutors, in which criminals have attempted to circumvent violation of the mail fraud statute by using private mail carriers and or wire services. If a criminal is successful in avoiding the use of the U.S. Mail, the FBI will build a case satisfying the elements constituting a violation of the wire fraud statute or other Federal Statutes.

The FBI has had great success in using the mail fraud statute in addressing many different types of fraud and related matters. This statute has proven its effectiveness in white-collar crime prosecutions and, therefore, will continue to be prominently considered during the course of our investigations.

That concludes my statement, Madam Chairwoman. I would be happy to answer any questions you may have.

Miss COLLINS. All right. Thank you very much. I am very pleased at the level of cooperation that you stated in your testimony. Again, I have to profess some confusion about this database.

Now, Mr. White tells me that it is available to all law enforcement agencies, but you are telling me—you just came on board in 1993, was it?

Mr. VERINDER. In the spring of 1993 with our Los Angeles office. Fall of 1993, we will move forward with our 56 field offices.

Miss COLLINS. Right. Why is that, Mr. White? Did they know about it? Is that the idea?

Mr. WHITE. Yes, they did. And they were conducting a pilot program to determine whether it would serve their needs and whether it could be arranged, the specific input could be done in a way that didn't trench upon their restrictions on their sharing criminal information.

Miss COLLINS. A bureaucracy is phenomenal, the laws governing all the different agencies and what you can do and what you cannot do.

Mr. WHITE. There is certainly a complex set of restrictions on the sharing of law enforcement information, but I think that we have, since the system was initiated in 1987, built up a good record. We found ways to improve the system, make it more user friendly and participation, I believe, is growing. And that growth will make it even a more useful system over time.

It is true, Madam Chairwoman, that it doesn't happen overnight, and it takes an awful lot of hard work, but that work is well under way. And I think you are hearing about the progress that is being made.

Miss COLLINS. Well, Mr. Verinder, how long will it take for all of your offices to come on line.

Mr. VERINDER. By the fall of 1993, all 56. We plan to use our information technology center as a focal point, so our 56 offices will go there and they will go right into the FTC.

Miss COLLINS. So it is immediate by the fall?

Mr. VERINDER. By the fall for—now, by the fall for us to have access to, not by the fall for us to be putting in. Hopefully, shortly thereafter, with the revised form that satisfies legally what we can provide, we will be doing that immediately. We are trying to find the best device, either 56 offices individually feeding the system or again going through our one central point.

There is going to be a vast amount of the data. There is going to be a lot of duplication. And again, a lot of complaints I receive, as you know, are not necessarily the basis for opening a case. This information will be provided into the system when enough information about a particular boiler room operation or whatever the fraud problem would be would trigger an investigation.

We need to notify the system we are opening a case and we need to have better coordination, so we are working through those issues. But information sharing is the only way to go and just what you are mentioning.

Miss COLLINS. Absolutely.

Mr. VERINDER. If I could mention, this is a pending case. I have to be careful of how much I can provide. The national Florida information center has a 1-800 number, and during Operation Disconnect we provided it. Lots of information has come in. Through this information, they were able to give us a very strong indicator of a crime problem that has international aspects.

Postal and the FBI are looking to address that with an undercover operation. We have got a ways to go, but it is new. I know you are concerned about information sharing, but this is a 1-800

number with the National Fraud Information Center where the information is coming from people that were being victimized providing information to law enforcement that has indicated to us to open an investigation.

Miss COLLINS. That is wonderful. That is the coordination and outreach that we really need. The 1-800 numbers make it easy, I think, for constituents to call in with no cost, because long distance frightens a lot of people. So I imagine you were constrained because yours are always criminal investigations.

Mr. VERINDER. Yes, ma'am.

Miss COLLINS. And I don't quite understand the ramifications, but I know—it just seems to me that government agencies should have just automatic access to one another. But yours might be civil; is that right?

Mr. WHITE. That is correct.

Miss COLLINS. OK I am beginning to understand more. Thank you very much for your testimony.

Let me ask you the big question: Did you participate in the retreat 2 months ago, the National Consumer League retreat?

Mr. VERINDER. The meeting?

Miss COLLINS. The FBI?

Mr. VERINDER. Yes, ma'am.

Miss COLLINS. Very good. Thank you.

And our final panelist, Mr. Laurence Urgenson, Acting Deputy Assistant Attorney General, Department of Justice.

Welcome, and thank you for coming.

STATEMENT OF LAURENCE URGENSON, ACTING DEPUTY ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF JUSTICE

Mr. URGENSON. Thank you. I am very pleased to be here, Madam Chairwoman. I would appreciate having my statement be made part of the formal record so that I can proceed with a brief oral summary and would be more than happy to respond to any questions.

Miss COLLINS. Without objection, so ordered.

Mr. URGENSON. The mail fraud statute is the core component in the Department's white-collar crime enforcement effort. It is referred to as having a special place in the hearts of prosecutors as a true love, a Cuisinart, a Stradivarius.

It is the most useful, broadly applicable tool that we have. The statistics back that up. At the current rate of productivity, we anticipate by the end of 1993, we will have brought 1,255 cases using the mail fraud statute involving some 2,300 defendants.

It is a tool of general applicability. As has been made evident today, it applies to telemarketing fraud as probably one of the most useful, along with wire fraud, tools that we could use. It is also used across the whole spectrum of white-collar matters, financial institution fraud, insurance fraud, investment fraud, health care fraud. The mail fraud statute is the core, essential tool that the department uses in the enforcement effort.

We have had within the 1980's, we have had—and early 1990's—a number of increasing appearances of white collar crimes. There was the HUD scandal. The financial institution fraud scandal involving losses of \$500 billion, and health care fraud is estimated to

cost \$70 billion a year. And we are well aware and have been aware for some time that increasing telemarketing fraud is also an area requiring additional attention.

For that reason, we have made telemarketing fraud a special emphasis area in the Department of Justice which means that it receives centralized attention from our Economic Crime Council which advises the Attorney General on these issues, and that effort is reflected in two ways you have already heard about today.

On the operational side, it would be the investigation that Fred Verinder just discussed, Operation Disconnect, which was a proactive nationwide telemarketing investigation. By proactive, what I mean that the Department of Justice at this time, through the FBI, goes out in an effort through undercovers to make cases. It is not reactive. We don't just sit and wait. And it produced excellent results.

On the programmatic side, we are involved in the working group which you have already heard about. All of the people on the panel today participate in the working group. And one of the topics that we are working together on is working to share information in the database—and I should add that we did attend the conference that you are referring to and we were very pleased, especially pleased.

Now that we did so, we are committed to prosecuting, vigorously, telemarketing fraud. Part of the process of case selection and establishing priorities is to listen to what people have to say. We have listened to the consumer group advocates here. We are aware of the congressional concern and that is one of the factors that has to be considered in establishing and enhancing priorities.

And we look forward to working with the committee in the effort to attack telemarketing fraud.

Thank you.

[The prepared statement of Mr. Urgenson follows:]

PREPARED STATEMENT OF LAURENCE URGENSON, ACTING DEPUTY ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF JUSTICE

Madam Chairwoman and Members of the Subcommittee: I am pleased to present testimony on behalf of the Department of Justice concerning the mail fraud statute, 18 U.S.C. § 1341. As the department charged with conducting criminal prosecutions of mail fraud and filing civil actions for injunctive relief against mail fraud schemes, the Department has a strong interest in ensuring the continued efficacy of the mail fraud statute in combating fraud.

BACKGROUND

While mail fraud has long been part of the arsenal of federal criminal statutes directed at fraud, it occupies a special place in the hearts of federal prosecutors. As one legal commentator put it, "[t]o federal prosecutors of white collar crime, the mail fraud statute is our Stradivarius, our Colt 45, our Louisville Slugger, our Cuisinart—and our true love."¹ The Department of Justice often uses mail fraud charges in successfully prosecuting a wide range of criminal activities. Those activities routinely include contracting fraud (both defense procurement and non-defense procurement), financial institution fraud, HUD fraud, insurance fraud, investment fraud, health care fraud, public corruption, securities fraud (including both insider trading and market manipulation), and telemarketing fraud.

Moreover, the Department prosecutes numerous criminal cases that involve mail fraud charges. According to statistics that the Department's Executive Office for United States Attorneys maintains, United States Attorneys' Offices in recent years have routinely been using mail fraud in charging criminal cases. In the first seven

¹Jed S. Rakoff, *The Federal Mail Fraud Statute (Part I)*, 18 Duquesne L. Rev. 771, 771 (1980).

months of FY 1993, for example, those offices had a total of 1,385 defendants in 732 cases who were charged by indictment or information with mail fraud charges, and a total of 979 defendants in 699 cases who were convicted by guilty plea or verdict after trial. Although many factors can affect the speed with which cases can be resolved by plea agreements or trials, at their current rate of productivity the United States Attorneys' Offices would have, by the end of FY 1993, a total of 2,374 mail fraud defendants in 1,255 cases charged by indictment or information, and a total of 1,678 defendants in 1,198 cases who were convicted by guilty plea or verdict after trial.

Other components of the Department, such as the Fraud Section of the Criminal Division, also frequently use mail fraud in criminal prosecutions and civil actions. The Office of Consumer Litigation of the Civil Division has also used mail fraud to prosecute odometer and health fraud. In addition, the Antitrust Division in recent years has made greater use of mail fraud charges in conjunction with criminal antitrust charges that it prosecutes under the Sherman Act.²

I would now like to summarize the process by which the Department and United States Attorneys' Offices receive and handle matters in which mail fraud may be implicated.

RECEIPT AND HANDLING OF MAIL FRAUD MATTERS

Both the Federal Bureau of Investigation and the Postal Inspection Service have jurisdiction to investigate mail fraud violations. As a result, Assistant United States Attorneys or Departmental trial attorneys may be contacted by agents from either agency with information about possible mail fraud violations. In addition, investigations that the Department initiates for possible criminal violations other than mail fraud may ultimately develop evidence of mail fraud violations as well.

The Department's general policy on mail fraud prosecutions is set forth in the *United States Attorney's Manual*. The policy is that

[o]rdinarily prosecutions should not be undertaken if the scheme employed consists of some isolated transactions between individuals, involving minor loss to the victims, in which case the parties should be left to settle their differences by civil or criminal litigation in the state courts. On the other hand, if the scheme is in its nature directed to defrauding a class of persons, or the general public, through the mails, with a substantial pattern of conduct, serious consideration should be given to prosecution.³

In particular cases, the basic standard for determining whether the Department will seek an indictment or file an information charging an individual with mail fraud is the same standard that the Department would apply in determining the appropriateness of charges involving any type of federal criminal offense. That standard, as set forth in the Department's *Principles of Federal Prosecution*, is that the prosecutor should recommend federal prosecution "if he believes that the person's conduct constitutes a federal offense and that the admissible evidence will probably be sufficient to obtain and sustain a conviction. * * *"⁴

To determine whether a person's conduct constitutes a mail fraud violation, and whether the admissible evidence at trial would probably be sufficient to obtain and sustain a conviction, the prosecutor must compare all available evidence to the elements of the offense. Federal criminal investigations rarely yield evidence that is uniformly strong or uniformly favorable in all significant respects for criminal prosecution. As documents become mislaid, as witnesses' recollections of events become less specific and certain or begin to reflect certain patterns or biases, portions of investigations, and sometimes even entire investigations, may be viewed as less probably sufficient to secure a just conviction. In these cases, the prosecutor's professional judgment and experience, coupled with the judgment and experience of the agents and other prosecutors with whom he or she works, provide the most reliable guidance for those determinations and evaluations of evidence.

I would now like to turn to the issue of how the Department coordinates with other federal and state agencies on matters and cases involving mail fraud.

² 15 U.S.C. § 1.

³ *United States Attorney's Manual* §9-43.110.

⁴ *U.S. Dep't of Justice, Principles of Federal Prosecution* 5-6 (1980). Exceptions to this general rule may be made if, in the prosecutor's judgment, prosecution should be declined because

- (a) no substantial federal interest would be served by prosecution;
- (b) the person is subject to effective prosecution in another jurisdiction; or
- (c) there exists an adequate non-criminal alternative to prosecution. *Id.* 6.

COORDINATION WITH OTHER AGENCIES

In investigating white-collar crime matters that may implicate mail fraud, United States Attorneys' Offices and litigating sections of the Department rely not only upon routine meetings between prosecutors and agents in particular investigations, but also upon more formal mechanisms for coordination and resolution of common interests and concerns.

One of these mechanisms is the task force concept. The term "task force" typically refers to a group of federal prosecutors and agents who are dedicated to investigating and prosecuting a particular type of crime, such as financial institution fraud or telemarketing fraud, over an extended period of time. Task forces have often proved highly effective in white-collar crime investigations because they facilitate the development of expertise among the prosecutors and agents assigned to them, and foster efficiency by encouraging the setting of investigative priorities and the concentration of specialized resources on matters and cases warranting the highest priority.

Another mechanism, for matters requiring more general interagency coordination such as policy and resource commitments, is the interagency working group. At the local level, United States Attorneys' Offices have sometimes established working groups to address such matters as financial institution fraud, securities fraud, or other criminal activities of particular importance in that area. In addition, since 1984, the Department of Justice has made increasing use of the working group concept at the national level to improve coordination between agencies and facilitate effective enforcement activities on particular types of white collar crime.

Since December, 1984, when a national-level interagency Bank Fraud Working Group was established, the Department has encouraged and participated in the establishment of other national-level interagency Working Groups in the areas of health care fraud, insurance fraud, securities and commodities fraud, and telemarketing fraud. Although none of these Working Groups devotes itself exclusively to mail fraud, each of these Working Groups deals with issues in which mail fraud often plays an important role.

Since its formation in April, 1992, for example, the Telemarketing Fraud Working Group has expanded its membership to include more than a dozen federal departments and agencies,⁵ as well as the National Association of Attorneys General and the North American Securities Administrators Association. These members, through the Working Group, have established a number of goals and priorities for more effective interagency cooperation and communication. These include the enhancement and expanded use of the NAAG/FTC Data Base on telemarketing fraud complaints and public enforcement actions; improvement of public awareness and education about telemarketing fraud; establishment of a liaison committee with private-sector organizations, including non-profit consumer groups; collection of information on the impact of the federal Sentencing Guidelines on telemarketing fraud; and encouragement of proactive investigative techniques. Subcommittees of the Working Group are now in operation to pursue each of these goals and priorities.

The Department is committed to prosecuting those who violate the Federal criminal fraud statutes to the fullest extent possible. We stand ready to work with the members of this Subcommittee and the Congress to insure that the citizens of this country are protected from those who engage in unscrupulous enterprises and who target the unsuspecting consumer through mail fraud.

Thank you for your interest in the Department's continuing efforts to combat mail fraud. I will be pleased to respond to any questions that the Subcommittee may have.

Miss COLLINS. Thank you very much.

According to your procedures, you don't really prosecute minor losses. What is the dollar value? What constitutes a significant case?

Mr. URGENSON. It varies from district to district. One of the things we avoid doing is publishing a threshold because we don't

⁵These include (1) federal criminal law enforcement agencies (i.e., the Department of Justice, the Federal Bureau of Investigation, the Internal Revenue Service, the Postal Inspection Service, and the United States Secret Service); (2) federal regulatory agencies (i.e., the Commodity Futures Trading Commission, the Federal Communications Commission, the Federal Reserve Board, the Federal Trade Commission, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission); and (3) other federal departments and agencies (i.e., the Department of Commerce and the Office of Consumer Affairs).

want to let the chiselers know that there is a certain safe haven and it varies very much with the districts.

The U.S. attorneys often make decisions on white-collar enforcement priorities across a particular district, a fraud of a particular size, even though the dollar amount may be nothing for Los Angeles, might be significant in their district. In addition, as has been pointed out, it may involve special features, such as vulnerable victims if it impacts upon the elderly.

It could involve a recidivist, someone who in this particular case it might not warrant prosecution, but because this is someone who has been involved in prior incidents, we want to prosecute him and significantly. It involves the quality and the extent of the local enforcement effort.

Consumer fraud is an area where you have concurrent jurisdiction, both the local and the Federal prosecutors can prosecute consumer fraud. Unlike something like defense procurement fraud where the Feds, if we don't take the ticket, it doesn't get done.

Very often, there can be a vigorous local enforcement which we know we can have confidence will address the problems, so we try to reserve the use of Federal jurisdiction for multi-State cases, pattern cases, large-dollar cases. And what we hope to do is to work together to use the database that has been referred to throughout the discussion this morning as a tool to identify the most important national cases, the repeat violators, the big dollars, the patterns, so that when we use our resources they are applied in the way that makes the most effective example.

Miss COLLINS. When you say multi-States, would that be a case where, say, the criminal is in New York but they prey on people in Detroit?

Mr. URGENSON. That would be one example. One example could be where the headquarters is in one State and the victims are in another. Another example would be just a large operation which is headquartered in one place and seeks victims in the host State and other States as well. Because one of the key factors in identifying a case that is appropriate for Federal jurisdiction is multi-State involvement, because it shows that it has significant size, it has impact on commerce, and the Federal laws are more effective than local laws when you have to cross State lines. We have national jurisdiction, we have Federal statutes. If you have a multi-State violator, Federal court is usually the best place to handle it.

Miss COLLINS. Well. I thank you very much. We have received such great testimony today. I would like to have all of this compiled into a report. I don't know how long it will take us to do that because the Congress, as you know, has a full plate.

But anyone who might be interested in receiving that report, the panelists, you will automatically get it. And anyone else here who is interested can call the subcommittee's office to get on the list. And I hope we come out with it before the end of the year. I think we have gotten a lot of good testimony today and hopefully we will have some remedies or projected remedies in that report.

I thank you for your patience and I thank you for your fine testimony.

I have a statement from Congressman Tom Andrews that will become a part of the record.

[The prepared statement of Hon. Thomas H. Andrews follows:]

PREPARED STATEMENT OF HON. THOMAS H. ANDREWS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MAINE

STATEMENT OF CONGRESSMAN THOMAS H. ANDREWS

Before the Subcommittee on Postal Operations and Services

The Honorable Barbara-Rose Collins, Chair

Mail Fraud

July 21, 1993

Ms. CHAIRWOMAN, thank you for giving me the opportunity to bring to the committee's attention a mail fraud scam using postal money orders which has been going on for probably 15 years, and my concern that United States Postal Service is not taking adequate steps to make sure that its potential victims are given the information they need to protect themselves.

The scam is operated out of Parchman State Prison in Mississippi. The targets are usually women who have placed personals advertisements, although gay males have been targeted as well. Prison inmates correspond with these individuals, gain their confidence and propose long-term personal relationships. They tell the "mark" that they need cash in a hurry (presumably to bribe the guard and obtain an early release) and convince them to cash a number of the inmate's postal money orders, usually in the amount of \$700 each. The mark cashes the money orders at their own local bank, then sends the cash to the inmate -- usually care of the inmate's "lawyer" (a co-conspirator outside the prison).

What the mark doesn't know is that these money orders were originally purchased from the Postal Service for \$1 apiece, smuggled into the prison, and illegally altered by the inmates to show a \$700 face value. The typical mark cashes about \$15,000 worth of these altered money orders and sends the money back to the inmate who, not surprisingly, stops writing shortly thereafter.

Most of these marks do not have much in the way of financial resources, so the financial institution that negotiates the fraudulent money orders ends up taking the financial hit.

This scam appears to have been going on for at least 15 years. I am concerned that, because the Postal Service itself is held harmless from any financial obligation, it has not had the incentive to move quickly and decisively to put an end to the scam, or at least to educate financial institutions as to how to protect themselves.

According to information I have received, this scam cost financial institutions approximately \$875,000 in 1992.

I have attached a chronology of my year-long correspondence with the USPS about this issue -- a very frustrating experience which I feel has failed to generate meaningful improvements in their handling of this situation. That is why I am coming to you.

Several banks in the State of Maine have been hit by this scam over the past few months. My guess is, if you contact the Bureau of Banking in your state, you may find evidence that it has happened there, too.

I began my investigation of this scam when I learned that Norway Savings Bank of Norway, Maine, had just been hit for \$17,475. A local woman who had been a customer with the bank since 1989 brought several money orders to the bank, each with the maximum face value of \$700. The bank was somewhat concerned and called the local Postmaster. The postmaster assured them that, as long as the \$700 face-value limit was not exceeded, everything was "fine".

But of course everything wasn't "fine". The money orders had been expertly altered by Parchman State Prison inmates. It took the USPS approximately 6 weeks to notify the bank that the money orders were fraudulent, but by that time the \$17,475 was long gone.

The bank couldn't go after the customer -- she had no real assets. The USPS notified them that, as the last negotiator of the instrument, they were responsible for reimbursing the USPS for the difference between the actual value and the altered value.

The bank then came to me. I shared their concern about the situation, so I wrote to USPS asking three basic questions:

1. What steps had the USPS taken to make financial institutions aware of this scam prior to the time Norway Savings Bank was hit?
2. What steps were they taking to make alteration more difficult?
3. Was USPS working with law enforcement officials at the state and local levels to shut down the scam at its source?

Throughout my lengthy correspondence with them, USPS has only been able to satisfactorily answer question number two. They have, indeed, introduced a new money order, which should be even tougher to alter. But it's important to note that they introduced a "new, tougher-to-alter" money order in 1991, and Norway Savings Bank was hit only a year later.

I feel strongly that the only real solution to this problem is a comprehensive, continuing effort to notify financial institutions about this scam, and about the steps they can take to protect themselves. My office wrote to the USPS on five separate occasions requesting that they list the steps they have taken to notify financial institutions about the scam. We received the following:

- A. "We have notified all postal employees and Federal Reserve members of changes" in the postal money order.

This means that a flyer was sent out touting the features of the new money order. *USPS never mentions the Parchman scam on this flyer.* It never mentions the scam's warning signals (maximum value money orders, single female "marks") or how a financial institution might protect itself from the scam.

- B. "We have issued a 'Money Order Publicity Campaign' in major newspaper markets"

Same as above. This campaign only mentions the new money order. *It never mentions the Parchman scam.*

C. "We have publicized problems with money order altering in the media"

As far as I have been able to ascertain, this means scattered stories in small-market newspapers, a letter to Ann Landers, one story on National Public Radio, and a recent story on CBS' "Street Stories". At best this is haphazard. I would certainly not categorize this as a coordinated media campaign.

I continue to feel that the most efficient and effective way to put a stop to this is by contacting and educating financial institutions across the country. This could be done through state banking bureaus and major trade associations. *Despite my making this suggestion to the USPS no fewer than five times, I have not yet received a response.*

D. "We have notified all postal employees and Federal Reserve members of these changes."

This is simply not true. My staff contacted the Boston Federal Reserve and the Federal Reserve Board in Washington, D.C. Both stated that members of the Federal Reserve System had not been notified about the Parchman scam.

Clearly, not all postal employees were notified, either. As I mentioned earlier, when Norway Savings Bank went to their local Postmaster to inquire about large numbers of maximum-value postal money orders being presented for negotiation (a sure tip-off for someone familiar with the Parchman scam), he indicated that as long as the maximum face value was not exceeded, everything was "fine".

E. "Posters and other training materials have been distributed to the public."

Having never seen these anywhere, I can't vouch for the validity of this statement. *I continue to feel, however, that the most effective means of shutting down this scam is by directing educational efforts to banking institutions.*

The last two letters I have received from the USPS on this issue were form letters, which simply restated the excuses listed above. The scam continues to operate out of Parchman. I am coming to this committee for help because I feel certain that without your intervention it will be impossible to obtain the cooperation of the USPS in initiating the following proposals:

1. Direct the USPS to notify all financial institutions of the Parchman scam, and let them know what steps they can take to protect themselves.

Do this through state bureaus of banking, the Federal Reserve System, and all major trade associations -- being careful to include credit unions and savings institutions. This needs to be a comprehensive, thorough effort.

2. Re-notify every two years until there is evidence that the scam is no longer operable.

3. Change postal regulations which require the last negotiator of the money order to make a refund to the USPS of the amount of the alteration (Domestic Mail Manual section 941.86) in cases involving the Parchman scam.

This would give the USPS additional incentive to prevent further losses through the continuing education of financial institutions and cooperation with law enforcement officials.

4. Direct the USPS and the FBI to increase their efforts to shut down this scam at its source -- Parchman State Prison.

It is unconscionable that, only three weeks ago, a Parchman inmate was convicted in a Mississippi court of participating in this scam and received the lightest possible sentence. He was even sent back to Parchman to complete this sentence!

I appreciate your providing me with this opportunity to bring my concerns to you. Let's take care of it now, so we don't have to wait another 15 years and \$13 million.

Chronology

August 1992 My office was approached by Norway Savings Bank, which had just been "hit" by the scam. Their auditor, Gerald Donovan, indicated that his research showed the scam had been going on for at least ten years, and that there was an ongoing investigation of it by the USPS -- but that neither his bank nor any other financial institution in Maine that he was aware of had ever heard of it.

My staff contacted the USPS Government Relations Department (See Attachment A) to ask:

1. What steps had been taken by USPS to make financial institutions aware of this scam?
2. Would it be possible to change the money order to make alteration more difficult?
3. Was USPS working with law enforcement officials at the state and federal levels to shut down the scam at its source?

9/9/92 USPS Government Relations Office responds with a letter saying:

1. That they have turned over their investigations of similar scam victims to federal prosecutors.
2. They began issuing new money orders in 1991 that had "additional safeguards against altering" and had notified all postal employees and Federal Reserve members of these changes. (See Attachment B)
3. That they had "publicized problems with money order altering in the media".

9/25/92 Mr. Donovan notifies my office and the USPS that Norway Savings Bank had never received any notification about this scam from any source. Neither had the Maine Bureau of Banking, or the state's two banking trade associations.

10/5/92 My staff again wrote to the USPS Governmental Relations Department to request more specific information regarding the following (Attachment C):

1. Not all financial institutions are members of the Federal Reserve System. Is the USPS in communication with credit unions, etc.?
2. The State of Maine Bureau of Banking and the trade associations in the state knew nothing about this. Shouldn't USPS make an effort to notify at least the state banking agencies?
3. If USPS has known about Parchman for 15 years, why haven't we been able to shut down the scam?

At this point, my office was discovering that the media publicity the USPS was talking about consisted of an Ann Landers column and isolated stories in newspapers like the Morristown (NJ) Daily Record.

- 10/5/92 I notified then-Chairman Frank McClosky of this subcommittee as well as Rep. Carroll Hubbard, Chair of the Banking Subcommittee on General Oversight and Investigations, about this situation, and my concerns that the USPS was not making adequate efforts to disseminate information about this scam to financial institutions.
- 10/15/92 Norway Savings Bank receives notification from the USPS that this is its last opportunity to reimburse the USPS for the altered money orders, and that the next step would be a collection agency.
- 10/16/92 We receive information that another bank in Maine has been hit by the scam.
- 11/5/92 My office receives a letter from USPS addressed to another member of Congress, which appears to be a response to our letter of October 5th. It is a generic letter, which appears to have been prepared as a response to inquiries about the Parchman scam. It does not address the specific questions raised in our previous letter.
- USPS did enclose a copy of its "Press Coverage Report" on its Money Order Publicity Campaign (Attachment D). It is important to note that this was generic information about the new money order and did not include information about the Parchman scam.*
- 11/13/92 My office provides Chairmen McClosky and Hubbard with a copy of our October 5th letter to USPS.
- 11/13/92 My office writes to the USPS Disbursing Office to request that USPS waive the order to Norway Savings Bank to reimburse for the altered money orders until the Congressional Inquiry is concluded. *This is based on my concern that USPS was continuing its policy of requiring victimized banks to make good on the money orders, despite what I felt was an inadequate effort to notify banks regarding the Parchman scam and measures they could take to recognize the scam and protect themselves.*
- 11/13/92 My office writes to the USPS Government Relations Office to request a response to the specific questions raised in our letter of October 5th.
- 11/30/92 USPS Disbursing Office agrees to waive the 30-day payment deadline for Norway Savings Bank pending the resolution of the Congressional inquiry.
- 12/1/92 USPS responds to our letter of November 13th, bucking us to the Postal Inspection Service.
- 12/11/92 My office writes to K.J. Hunter, Chief Postal Inspector, again requesting that the USPS respond to our questions of October 5th.
- 12/15/93 My office learns that several other banks in Maine have been victimized by this scam within the last year.

- 1/15/93 Due to my concern that the USPS was not giving this matter adequate attention, my office writes to Joe Neale, Manager of the USPS Accounting Service Center, requesting that the USPS consider a policy change, exempting financial institutions which have been victimized by this scam from the repayment requirements.
- 1/27/93 K.J. Hunter, USPS Chief Postal Inspector, responds to my letter of December 11th by scheduling a February 9th meeting in Maine between Inspector Aaron Greene, Congressional staff and Norway Bank officials.
- 2/9/93 At the meeting, USPS indicated:
1. A telephonic warning has been placed on phone lines leading out of the prison warning about the scam -- USPS is hopeful it will discourage future "marks".
 2. USPS is again revising its money order to make it even harder to alter.
 3. USPS will make a video about the scam available to Chambers of Commerce.
- USPS still does not indicate what specific steps they will take to contact financial institutions and warn them about the scam.*
- 2/18/93 The Maine Congressional delegation sends a letter to Postmaster General Marvin Runyon indicating concern about the potential impact of this scam on financial institutions in Maine and across the country, and urging the USPS to take steps to improve communication with financial institutions, improve the training of USPS and bank personnel in recognizing this scam, and work with law enforcement personnel to shut down the scam at its source.
- 2/22/93 USPS notifies my office that they have contacted the Savings and Community Bankers of America about the scam.
- My concern remains that this is only one of several trade associations, and that a comprehensive approach to the problem has not yet been made.*
- 2/25/93 CBS "Street Stories" carries a story about the Parchman Scam.
- Again, my concern remains that, although this is nice, it is not part of a comprehensive effort to notify financial institutions of their potential exposure.*
- 3/16/93 Postmaster General Runyon responds to delegation letter. He indicates that USPS has recommended to Congress that a provision be included "in the crime bill to improve the laws relating to altering money orders and 'washing' postage stamps". A general reference is made to "posters and other training materials" having been distributed to the public to assist in identifying altered money orders.

This is the same argument the USPS always makes when pressed to improve communications about the Parchman scam. However, at no time have they made a consistent effort to make the public aware of the scam. These "public information campaigns" are intended to talk only about the redesigned money orders -- *not the reason they keep having to redesign them every two years*. No response is made to our requests that the USPS engage in efforts to improve current communications with financial institutions (Attachment E).

- 4/16/93 American Bankers Association is notified of the scam by USPS.
- 4/26/93 My office sends updates on the progress of our inquiry to Post Office and Civil Service Chairman Bill Clay and Banking Subcommittee on General Oversight and Investigations Chairman Hubbard.
- 4/15/93 Norway Savings Bank is notified that USPS has determined that USPS may not waive the reimbursement of the outstanding amount of the altered money orders.
- USPS notes that "under the normal course of doing business (Norway Savings Bank) was in the best position to detect unlawful conduct..." Norway Savings Bank Auditor Gerald Donovan disputes this, saying that bank personnel contacted the local Postmaster to indicate their concern that number of postal money orders were being presented at a high face value, but were told by the Postmaster that, as long as the legal limit of \$700 per money order was not exceeded, there should be no problem. The USPS employee failed to warn the bank of a potential scam despite being directly questioned by the bank.
- 5/31/93 My office writes to Postmaster General Runyon regarding this decision, requesting that USPS reconsider its decision based on the fact that, at the time Norway Savings was being victimized, the USPS had made no effort to inform any Maine bank about the Parchman scam, nor did it alert the bank to the problem when it was directly questioned by bank personnel. USPS personnel were clearly unaware of the scam and failed to alert the bank even when given a chance to do so.
- 6/3/93 Chairman Bill Clay responds to my April 26th letter, indicating that he had contacted the USPS to inquire about this matter. He received a response indicating that the USPS "has worked extensively with financial institutions, associations, publications, and agencies to publicize the scheme among their membership and readership" and indicates that bank tellers are being provided with videos on how to spot altered money orders.
- 6/21/93 My office receives a letter from Marvin Runyon in response to our May 31st letter. This is a word-for-word copy of the letter to Chairman Clay and fails to respond at all to my specific concerns and suggestions raised in the letter of May 31st.
- 7/9/93 My office learns that Karl Thompson, arrested and convicted of participation in the scam at Parchman State Prison, was sentenced to 8 months to be served in Parchman State Prison, a \$50 fine, and \$725

restitution to Norway Savings Bank. *This is the minimum sentence available under the court guidelines*, which increases my concern that this scam is not being taken seriously by the judicial system.

7/16/93

My staff contacts legal counsel at Boston's Federal Reserve System which states that the Fed has not been notified about the Parchman scam by the USPS. The D.C. Federal Reserve Board confirms that it was never asked by USPS to notify all member institutions about the scam. USPS *did* request that the Fed office in St. Louis "outsort" all large face-value money orders earlier this year, and then advised them of the scam. According to the Federal Reserve Board staffer we contacted, they were under the impression that they were not supposed to talk about it, as it was under investigation by the USPS.

THOMAS H. ANDREWS

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Congress of the United States
House of Representatives

COMMITTEE ON
ARMED SERVICESCOMMITTEE ON
SMALL BUSINESS

Attachment C

October 5, 1992

Judy Principe
Northeast Region - Government Relations Department
U.S. Postal Service
Room 10533
475 L'Enfant Plaza West, SW
Washington, D.C. 20260-3526

Dear Ms. Principe:

Thank you for your most recent response regarding altered USPS money orders.

As per our telephone conversation of last week, I have a few additional questions I would like to ask regarding this issue. First, in your letter of September 9th, you stated that the USPS Inspection Service has publicized problems with money order altering in the media, and that a USPS mailing describing the security features of the new money order was distributed by the Federal Reserve to all member institutions. My concern is that this notification process is not nearly as comprehensive as it needs to be, given that a large number of financial institutions (especially credit unions and savings banks) are not members of the Federal Reserve. Even members of the Federal Reserve, when contacted by this office, evidenced no knowledge of this situation, and could not recall receiving such a message from the Federal Reserve.

I might suggest that the USPS work closely with the states on this issue, since each state regulates all financial institutions within its borders and undoubtedly maintains a listing of those institutions. By using these lists, a much more comprehensive notification process can be developed. In addition, the USPS should obtain a comprehensive listing of the major trade associations which serve the banking industry, both on a national and state-by-state basis, and keep these associations informed of the problems and progress associated with this scam. I should mention that I contacted both the Maine Association of Community Bankers and the Maine Bankers Association, and neither group had received any information about this scam until my call. Both were extremely concerned after hearing about what had happened to Norway Savings, and indicated that they would take it up with their security committees.

Given the seriousness of the problem, and the devastating financial impact this can have -- especially on the smaller institutions -- I would urge the USPS to take a much more proactive stance on this issue and significantly expand its notification efforts. I am forwarding a copy of this letter to both the Post Office and Civil Service and the Banking

Judy Principe
United States Postal Service
Page 2

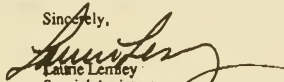
Committees to encourage their oversight of and involvement in the resolution of this matter.

Which brings me to my second concern. If the USPS has known about this scam for several years, and if (as it is my understanding) it seems to be emanating almost exclusively from Parchman State Prison, why have we not been able to shut down this operation? What information does the USPS have on contacts within and outside the prison? The possibility has been raised by those familiar with the scam that postal personnel may be involved in making available large quantities of money orders, despite USPS memos to personnel to look on such orders with suspicion. Has the USPS investigated this possibility? If so, what have you found?

With respect to the Norway Savings Bank (Norway, Maine) investigation, I am enclosing a list of potential suspects in that particular scam. The list was supplied to me by the bank. The "mark" (Joyce Brown) cashed the altered money orders and sent them to the listed individuals. While the names are probably fictitious, has the USPS visited the addresses or interviewed personnel in the Post Office where Spencer Burns' deliveries were made? What are your findings? Can we expect arrests?

I would appreciate your further review of this matter. Thank you for your assistance, and please direct your response to the Portland address listed above.

Sincerely,



Laune Lemley
Special Assistant to
Representative Thomas H. Andrews

Enclosure

Miss COLLINS. And the journal, in fact, we will leave it open for any of the other members of the subcommittee who want to give—submit statements for the record.

There will be one final hearing on mail fraud. This subcommittee is now adjourned.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned.]

MAIL FRAUD

WEDNESDAY, OCTOBER 6, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 10:15 a.m., in room 311, Cannon House Office Building, Hon. Barbara-Rose Collins (chair of the subcommittee) presiding.

Members present: Representatives Collins and Young.

Miss COLLINS. Good morning and welcome to the Subcommittee on Postal Operations and Services.

This is our third hearing on mail fraud. The subcommittee's first hearing on this subject was in May to hear from the victims of mail fraud. Our second hearing took place in July and focused on coordination efforts between government agencies and consumer groups.

Today, we will hear from representatives of the private sector regarding their efforts to combat mail fraud. We will hear from Visa, Federal Express, the National Newspapers Association, the Direct Marketing Association, and Mail Boxes, Etc.

Most of these organizations have been actively involved in anti-fraud efforts with Federal agencies and have been actively working with consumer groups on this growing epidemic. Many of these organizations have also been victims of scams themselves.

According to the Federal Trade Commission, mail-order and telephone-order merchandise sales amount to \$48 billion in consumer spending annually, that is \$48 billion. Estimates of consumer losses due to mail fraud are estimated to be several billion dollars each year.

We are here today to determine what steps these organizations are taking to combat the problem. I would, again, like to welcome all of you here today, and to thank you for taking the time to testify. I look forward to your testimony.

We have testifying today Dennis Brosan, security director from Visa International; Gary Bügge, Newspaper Association of America; Alan Armstrong, area franchiser for Mail Boxes, Etc.; Tom Caiazza, customer services, Federal Express; and Richard Barton, vice president, Direct Marketing Association, Inc.

So we will hear from Dennis Brosan first. Thank you and welcome.

STATEMENTS OF DENNIS BROSAN, SECURITY DIRECTOR, VISA INTERNATIONAL, GARY BÜGGE, NEWSPAPER ASSOCIATION OF AMERICA, ALAN ARMSTRONG, AREA FRANCHISER, MAIL BOXES, ETC., TOM CALAZZA, CUSTOMER SERVICES, FEDERAL EXPRESS, AND RICHARD BARTON, VICE PRESIDENT, DIRECT MARKETING ASSOCIATION, INC.

Mr. BROSAN. Madam Chairwoman, members of the subcommittee, my name is Dennis Brosan and I am director of security at Visa, USA. Visa would like to thank the subcommittee for the opportunity to testify about the important national problem of mail fraud. We commend the subcommittee and its leadership for their role in addressing this issue.

As this subcommittee knows, mail fraud often is a component of telemarketing fraud. This is the case when postcards and other direct mail solicitations are sent through the mail with fraudulent offers, inviting consumers to respond by telephone and pay with their credit cards.

Visa, USA is highly concerned about telemarketing fraud, as well as mail fraud. To help combat telemarketing fraud, Visa supports H.R. 868 and its Senate companion, S. 568, as well as the Senate criminal legislation, S. 557 and urges their passage in this session of Congress.

Telemarketing fraud is a serious and growing problem that, according to a recent Louis Harris study, defrauds millions of innocent consumers each year. Telemarketing fraud losses are estimated to be in the billions of dollars by the National Association of Attorneys General and the Federal Trade Commission.

Fraudulent telemarketing is the term used to describe the solicitation of cardholder information by telephone or mail for fraudulent use. Fraudulent telemarketers often obtain credit card account data from cardholders through contests or offers of merchandise or services at no cost or reduced rates.

In some cases, telemarketers announce that consumers have won vacations to exotic places such as Hawaii or Acapulco, or they offer vitamins, water purifiers, or travel packages at a discount. Frequently the contest or product is available for a limited time only. Telemarketers use high pressure sales techniques to close the sale quickly before consumers can ask for more information. Cardholders are then billed for the merchandise, which is never delivered or is vastly different from what was originally represented.

Telemarketing fraud has clearly increased over the past few years and we see no end to this growth unless and until Congress enacts Federal laws to combat the problem.

A 1992 Harris survey conducted for The National Consumers League found that millions of Americans become victims of telemarketing fraud every year. As a result of this survey, we now know that more than 90 percent of all adult Americans have had some contact with telemarketing fraud.

Over 5 million people believe that they have been defrauded by unscrupulous telemarketers. The elderly, the trusting, and other susceptible population groups make up a large share of the victims. This survey provides dramatic evidence that Congress must act quickly to prevent more Americans from becoming victims.

Visa's member financial institutions generally reimburse telemarketing fraud victims who paid with a Visa credit card. If the financial institution cannot locate the fraudulent telemarketer, the member institution bears the cost of the telemarketing fraud. As a result, our financial institutions lose approximately \$300 million per year to this type of fraud.

In addition, our member institutions spend millions of dollars investigating individual cardholder complaints and pursuing particular fraudulent telemarketers.

Visa has instituted extensive internal procedures to detect fraudulent merchants and eliminate them from the credit card system. However, fraudulent telemarketers develop new and sophisticated ways to evade detection, such as the laundering of sales drafts in order to promote their scams.

Laundering or factoring refers to the depositing of sales drafts by a legitimately-signed merchant on behalf of an operator who does not have a merchant agreement with a financial institution. Usually, such operators cannot obtain a merchant agreement with an acquiring institution, thus they approach legitimately signed merchants to launder sales for them. Sometimes they employ a broker to approach legitimate merchants.

In exchange for depositing the drafts, a legitimately signed merchant is given a percentage of the value of the drafts, and it usually ranges in the vicinity of somewhere from 1 to 20 percent. In many instances, the fraud operator without an agreement launders with the legitimately signed merchant for several weeks before moving on to another legitimate merchant and before any chargebacks start piling up.

To address today's newer kinds of telemarketing fraud, Visa advocates updating our criminal laws with much needed amendments to the Credit Card Fraud Act.

In addition, Visa has undertaken extensive programs to educate our member financial institutions, merchants and consumers about telemarketing fraud. Finally, we work closely with Federal, State and local law enforcement authorities to investigate and prosecute fraudulent telemarketers, and to ensure that these law enforcement agencies have sufficient resources to pursue the telemarketing fraud.

Visa is pleased that H.R. 868 contains three elements we believe are essential for civil telemarketing fraud legislation. They are the requirement that the FTC develop rules defining fraudulent telemarketing activities; the creation of a private right of action to permit victims to sue fraudulent telemarketers; and the express grant of authority allowing State attorneys general to bring enforcement actions directly in Federal court.

S. 557 includes the Visa-sponsored amendments to the Credit Card Fraud Act of 1984 which was in the omnibus crime bill last year but failed to achieve passage in Congress. The Credit Card Fraud Act would be amended to criminalize credit card laundering, specifically that the act expressly covers telemarketing fraud, and criminalize the solicitation of consumers for bank cards without the issuers' permission.

Recognizing the enormity of the fraud problem, Visa has taken an active role in the area of education. Our efforts are directed at

consumers, merchants, and our more than 15,500 financial institutions in the United States.

In the consumer realm, Visa has conducted media education tours through several of the Nation's top-20 markets to raise the awareness of fraud among the news media and the consumers. We also regularly accept requests to participate in talk shows and consumer call-in programs around the country. In addition, Visa representatives accept speaking engagements before various groups on the topic of fraud.

In 1990, Visa established a fraud hotline, a free service to consumers who, by calling a toll free telephone number, can obtain information on how to identify a scam and what to do if they have been victimized.

We also work closely with the National Consumers League based here in Washington, DC, and we are a founding sponsor of the NCL's National Fraud Information Center and the Alliance Against Fraud in Telemarketing.

The National Fraud Information Center, a private, nonprofit organization, working to combat the growing menace of consumer fraud, helps consumers with information and referral services. It also provides assistance in filing complaints. As a founding sponsor, Visa USA has provided a considerable sum in grant money to establish and operate the center, and to fund the 1992 Harris survey that I mentioned earlier.

The Alliance Against Fraud in Telemarketing, coordinated by the NCL, is an international coalition that promotes cooperative educational efforts aimed at alerting the public to high incidence of telemarketing fraud, and steps which can be taken to protect potential victims. Founded in 1988, it serves as a clearinghouse for information on current and evolving telemarketing fraud. Visa USA is a charter member of the AAFT and sits on its steering committee.

In addition, to our involvement with these two organizations, Visa directly sponsors two educational initiatives that address the area of fraud. First, "Choices and Decisions: Taking Charge of Your Life," is a financial and life skills educational program for high school students. Using the interactive multimedia approach, the Choices program includes a 12-chapter learning curriculum that, in addition to financial management topics, also addresses consumer awareness, the types of fraud that can be perpetrated and how to spot and avoid them. Choices and Decisions is a program that is free to high schools, donated by nearly 600 Visa member financial institutions.

By the end of this fall, the program will be taught in nearly 10,000 high schools in all 50 States, that is about half of our Nation's high schools. Choices and Decisions was developed by Visa in conjunction with the U.S. Office of Consumer Affairs and the National Consumers League.

Visa also offers "Credit Cards: An Owners Manual" to consumers. This free brochure was developed using illustrations by the cartoonist Cathy Guisewite who authors the "Cathy" cartoon strip, and specifically covers credit card fraud. Nearly half-a-million copies of this informative brochure have been distributed since it was introduced one year ago, many of them through the Better Busi-

ness Bureau. Fraud-related tips, which have been taken from Visa's owner manual, are also presented each week during the CNBC-TV program, "Money Talk".

Later this month, during the week of October 25, Visa will participate in the National Consumers Week, sponsored by the U.S. Office of Consumer Affairs. The theme of this year's National Consumers Week is fraud. Visa will promote credit card safety measures through a public relations program.

Finally, Visa is currently working with a California-based consumer organization, Consumer Action. Our idea here is to create telemarketing fraud informational pamphlets that will be produced in eight languages and distributed nationwide.

The educational efforts of Visa are also directed at our own members through bulletins, letters and other publications, as well as publications of our rules.

In order to ensure proper communication with our members, our risk management and security division has conducted a series of merchant seminars on fraud for our members. They address telemarketing fraud and electronic data capture fraud, which is a favorite tool of the telemarketer; the methods to prevent it and the methods to detect it, and how to utilize programs available to them to monitor and prevent this type of activity. This is an ongoing program.

Even with these extensive educational programs, we still need the added force of the telemarketing mail fraud legislation currently pending before the Congress.

I thank you, Madam Chairwoman, for allowing Visa the opportunity to present our views to this subcommittee.

That concludes my prepared testimony. I would be happy to answer your questions.

Miss COLLINS. Thank you very much, Mr. Brosan. I do have questions for you, but we have been joined by our ranking subcommittee member Mr. Don Young from Alaska.

Mr. Young.

Mr. YOUNG. Thank you, Madam Chairman. I have no questions. I would, though, ask unanimous consent at this time for a submission of testimony by Congresswoman Snowe from Maine concerning an incident that happened in her district. I would ask to submit it for the record at this time.

Miss COLLINS. Without objection. Thank you.

[The prepared statement of Ms. Snowe follows:]

PREPARED STATEMENT OF HON. OLYMPIA J. SNOWE, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MAINE

I would like to share with you the experiences of Norway Savings Bank, a bank in my district, to highlight the urgent need to crack down on a national mail fraud operating out of a state prison in Mississippi.

A convict at the Mississippi State Penitentiary in Parchman, Mississippi, cultivated a pen pal relationship with a woman of limited financial means in Norway, Maine. He created an engaging and sympathetic persona for himself and skillfully gained my constituent's confidence. He professed to be in love with my constituent, and spoke of sharing his future with her upon his release.

Once he gained her trust, he announced that he was eligible for early release if he paid a legal fee. He told her that he needed her to deposit the "pay off" money into her checking account until he told her where to send it. The convict then sent her an official-looking letter, supposedly from an attorney, containing five \$700 dollar U.S. Postal Money orders which he asked her to deposit in her account. The

money orders, however, were low denomination money orders which had been fraudulently altered and raised to \$700. Over the course of several weeks, my constituent continued to deposit altered money orders on behalf of her pen pal, which she subsequently withdrew and sent to a third party specified by the convict.

Several weeks later, the Money Orders were recognized as fraudulent. My constituent is of limited financial means and unable to bear her financial loss. Consequently, Norway Savings Bank incurred liability to the Postal Service for \$20,271.

This is unconscionable. It is even more shocking because this scam has operated for nineteen years and has cost innocent victims and financial institutions millions of dollars. Inmates at the Parchman penitentiary have defrauded women living in Elsbury, Missouri; Norway, Maine; Mountlake, Washington; Elyria, Ohio; and Cleveland, Ohio. This is clearly a national issue.

It is imperative that the U.S. Postal Service concentrate its preventive efforts in three areas: 1. Improve its security measures, 2. Increase efforts to instruct banks on how to recognize and prevent this scam, and 3. Attempt to curtail the scam at its source, Parchman State Prison. Thank you for the opportunity to share my concerns. I hope that every effort will be made to protect vulnerable women and financial institutions from this financially and emotionally devastating scam.

Miss COLLINS. Mr. Brosan, I have several questions, but I will start off by asking you what is electronic data capture fraud?

Mr. BROSAN. Electronic data capture fraud is a method whereby you have an electronic terminal and you can either swipe your credit card through and it will transmit the information down line, or you may key the information, into the terminal. Many of the fraudulent telemarketers, those that use the mail fraud, will then enter the cardholder's number by key entering it into the data caption terminal.

Miss COLLINS. OK. What qualifications, if any, must a merchant demonstrate before it is given the ability to accept Visa?

Mr. BROSAN. The merchant applies to a financial institution, and there are certain standards that must be followed for the financial institution. They must pass a scrutiny of their past financial data, by passing credit reports, supplying tax records, et cetera. The premises is to be inspected, and they must at least inquire of the Visa/Master Card database to see if the merchant has a previous fraud record with either organization.

Miss COLLINS. They have to have a permanent facility?

Mr. BROSAN. Yes.

Miss COLLINS. I have noticed that at a lot of conferences, you have the exhibition rooms and a lot of the vendors there use credit cards, so they must have a store or facility somewhere?

Mr. BROSAN. They have to have a facility and pass an inspection. Now, they may take their show on the road and so on, but there is a central depository physical location.

Miss COLLINS. What do you do when you find that a legitimate Visa merchant is laundering? What do you do to that merchant?

Mr. BROSAN. First, we would notify the acquiring bank. Together we would investigate. If it was found to be true, the merchant's contract would be canceled with Visa and Master Card, and law enforcement authorities and the Federal Trade Commission would be notified.

Miss COLLINS. I see. Are they usually prosecuted?

Mr. BROSAN. No, they are not usually prosecuted and that is one of the reasons why we would advocate that the laundering of the sales drafts would be made a criminal offense.

Miss COLLINS. H. 868 will be so good.

Mr. BROSAN. Yes, it would. It would be very helpful in identifying those people. What they do, by not signing directly with Visa or Master Card, they go and they will find a legitimate merchant to deposit for them and give that merchant a commission for depositing for them. So they really don't have a direct relationship with either Visa or Master Card, but they find some soul out there who does, and then they offer him money to deposit for them, giving them various excuses.

Miss COLLINS. Are the merchants aware that this is illegal?

Mr. BROSAN. Yes. It is part of their contract with the Visa/Master card members, and we are now recommending that each member when they sign a merchant have that particular merchant initial that part of the contract to ensure that they have actually seen it and understand it.

Miss COLLINS. It seems to me that, that would really be a great laundering scam for organized crime or for the drug trade, even.

Mr. BROSAN. We have not yet seen that, although we do now face the problem where the telemarketing fraud people are laundering their sales drafts overseas, Europe, Asia, Pacific—

Miss COLLINS. Are what?

Mr. BROSAN. Are laundering their sales drafts, they don't deposit them in this country. They are defrauding United States consumers; they are taking the sales drafts overseas, in Europe, Asia Pacific, and Latin America and depositing them over there. The charges then come through from an overseas merchant.

Miss COLLINS. I see. Finally, what is Visa's position on sharing information on fraudulent activities with other credit card companies or law enforcement agencies or consumer groups?

Mr. BROSAN. We are very, very active in all areas with the consumer groups. We are a charter member and a member of the Steering Committee Against Fraud in Telemarketing. Some of the individuals on the panel with me have been engaged in joint projects. We have an ongoing daily relationship with the Federal Trade Commission and with law enforcement agencies.

We are also members of the International Association of Credit Card Investigators and we share information with all Federal and foreign enforcement agencies, as well as the regulatory agencies, and consumer groups. We contributed quite a bit of funds to the consumer groups to aid in the education process.

Miss COLLINS. OK. Thank you.

Mr. Young.

Mr. YOUNG. Just out of curiosity. All of you appearing here today are pretty much in agreement with the testimony that the gentleman just gave?

Have you met one another before?

Mr. ARMSTRONG. No, we haven't.

Mr. BUGGE. Some of us have met before, some of us have not.

Mr. YOUNG. But you are working to try to eliminate this problem?

Mr. ARMSTRONG. Wherever we can.

Mr. YOUNG. Do you think that legislation is necessary, or do you think it can be done by regulating the existing program?

Anybody who wants to comment.

Mr. BROSAN. I think that legislation is necessary. We have had a number of regulations on the varying industries, but when they skirt the issues and keep going on, they are defrauding banks and consumers.

Mr. YOUNG. When they do that, though, see, my concern is when we pass a law, it is already they are breaking a law, are they not? I mean they are already breaking laws.

Mr. BROSAN. In some instances.

Mr. YOUNG. I mean when they break a contract, they are breaking a law. I am just saying if we pass another law, what are we adding?

Mr. BROSAN. Well, for instance, they will take and operate in a particular State, in one State. They will make calls out of that State. They will never contact a consumer within the State that they are located in.

Now, what happens? All of your victims are out of State. How does that attorney general handle that? How does he bring those victims in?

Does his budget allow him to bring all of those people into his State to be witnesses in this prosecution? So we have got problems along that nature. That is one of the reasons why we ask that the law be amended so that the attorney general be allowed to bring this type of case into Federal court. Those are some of the instances why we think that it is necessary for legislation.

Mr. YOUNG. All right. Sometimes I think we look for a simple solution when they are already breaking the law—laws. You know, I wish we could educate people to never give anybody a credit card number. That always helps out too. I never do that. I know people do it, pick up the phone, give them a credit card number.

Mr. BROSAN. I know.

Mr. YOUNG. I will say, talking about mail fraud, I think probably the biggest mail fraud conveyed upon the public is mail sent off by those seeking elections sometimes too.

I don't have any other questions, Madam Chairman. I want to make one suggestion, though. I appreciate the testimony and I have gone and read the rest of the testimony.

If you can, if there is any duplication, cut it a little shorter for the rest of the witnesses here. I know I am—we have a busy schedule and I am not going to be able to stay for the full hearing and it would be nice to stay for each one of you, if possible. So do what you can. The last one was very good, but a little long.

Miss COLLINS. You know, I believe the difference is that when you break a contract, it is civil offense, but when it is criminalized, then it becomes a felony or whatever, and I think that makes the big difference.

I think that you made a great suggestion. If you could summarize your statements, your statements are all very good, and they will be entered into the record in their entirety. So if you could just summarize them.

Mr. Gary Bügge?

Mr. BÜGGE. In the interest of speed, I will take the parts which refer specifically to background information and speak quickly. If I am going too fast, please stop me. Good morning, Madam Chairwoman and members of the subcommittee.

I am Gary Bügge and I am here today on behalf of Media Advertising Credit Services, the International Newspaper Financial Executives and the Newspaper Association of America. One of the groups that I am representing this morning, MACS, is a subscriber-based media credit and collection service which disseminates information concerning consumer and commercial fraud schemes. MACS is also a member of the Alliance Against Fraud in Telemarketing, where I serve on the Consumer Education Subcommittee.

I would like to commend the Chair and the subcommittee for holding the hearings. Mail fraud is an issue that touches the heart of all American communities and it is of particular concern to the three groups I represent here today.

Before I start, I would like to make one correction. It is just a minor modification. On page 7 of the third full paragraph of my prepared testimony, written testimony, the number should be \$41,500, and not \$841,500.

Newspapers are constantly combating fraud in advertising in a variety of ways. All newspapers have ad acceptance policies dealing with types of ads which can and cannot be published in their publications. Many newspapers have employee committees whose responsibility it is to ensure that—to the best of their ability, ads are truthful and accurate.

Many newspapers are in constant contact with better business bureaus, local consumer groups, and local law enforcement agencies on fraud issues. Efforts of MACS, INFE, and NAA to stop fraudulent advertising focus on educating the media to recognize and deal appropriately with this type of advertising on fraud issues.

Now, it is important to understand that for the most part, scams or ads for scams are not deceptive on their face, and that without some indication on the face of an ad that it is part of a scam, a newspaper has no way of telling the bad ads from the good ads. There is no little red flag out there saying, "I am a scam, I am a scam, I am a scam". Unfortunately, that just doesn't happen.

Fraudulent advertising is of great concern to the newspaper industry because the newspaper's financial success depends in large part upon its reputation and its relationship with its readers. Today newspapers are doing everything we can think of to eradicate fraudulent advertising from our publications. We have extensive informal networks and are in constant communication with local State and national agencies so as to ensure that newspapers continue to provide an excellent forum for truthful and accurate advertising.

Madam Chairwoman, I would like to turn to an issue of fraud which is of great concern to the newspaper industry today. We call it, "bogus invoicing". Newspapers like the Detroit Free Press, the Atlanta Journal Constitution, the News and Observer in Raleigh, NC, just to name a few, face this type of fraud. "Bogus invoicing" operates against newspapers and their advertisers in the following manner:

I will summarize as briefly as I can.

Individuals or companies reprint without permission classified advertising in questionable publications. The ads are generally em-

ployment advertising and appears as if they were originally published in the local newspaper. The publications look like legitimate publications, but in reality, have either little or no circulation. If anybody would like to view one, I have an example of a publication which does come out, and this is allegedly over 200 pages of help wanted advertising.

These publications then have little or no circulation. They solicit the advertiser who placed the publication in the newspaper by mailing to the advertiser's account payable department a solicitation form. The solicitation looks an awful lot like an invoice that the newspaper would send an advertiser who has placed the classified advertisement. The advertiser's accounts payable department is frequently unaware of when the ad was placed, where it was placed, and often pays the solicitation instead of and sometimes in addition to the newspaper invoice when it finally gets there.

We believe these solicitations are deceptive and fraudulent. First, in addition to the invoice, the advertiser is often sent a tear sheet of the advertisement as it appeared in the publication. This is deceptive because newspapers only use tear sheets to verify that an ad has run, never to solicit advertisers. Second, the "bogus invoice" is timed to arrive at the advertiser's accounts payable department around the time that the newspaper's invoice arrives and often before the newspaper's invoice, so as to be mistaken for the newspaper's invoice.

Finally, the mandatory disclaimer language indicating the piece is a solicitation and not an invoice is inconspicuous, often printed in very light yellow ink which is extremely difficult to read and does not photocopy well. As an example, I do have an invoice which I received just last Friday; it certainly looks like an invoice. I will pass it up. Down here there is a yellow part and it has a disclaimer, that this is a solicitation, this is not a bill. I took the liberty of photocopying it on a reasonably good copy machine and you can see how well it then comes across.

It is the photocopy of the bill, now without the disclaimer, which is sent to another department for payment approval. "Bogus invoicing" generates in the aggregate a significant amount of money for those running these scams. As I described in my written testimony, the amount of money these companies could pull in, if only one percent of those solicited sent a check is approximately \$64 million. That is just what we know about. Yesterday I received a phone call and have information that now there is another company that has been identified doing this.

Newspapers have asked these publications to stop soliciting their advertisers in this form. These publications have refused, stating that they are operating within the letter of the law. As a result, newspapers have turned to the U.S. Postal Inspection Service for assistance, with some success.

Just to sidetrack for a very brief second, Congressman Young, what we have here is a situation where the State of North Carolina took these people into State court and they said, you can't do this any more, and they said to the State, "Well, how are you going to stop us?," in essence. "We are going to continue to do it. We don't see anything wrong; we are going to continue to do it anyway."

To be more successful, postal inspectors must have the essential resources and enforcement backup necessary to do their job. For instance, postal inspectors who have successfully proven that a particular company has committed mail fraud need to have cease and desist orders signed in a timely manner so that these companies do not continue defrauding advertisers.

This is not happening and we believe it is beyond the control of the Postal Inspection Service. While we in the industry are doing what we can to stop "bogus invoicing", it continues. Getting cease and desist orders signed in a timely manner will help, but it will not alleviate the problem. A concerted national effort between the inspection service and other Federal agencies to effectively combat "bogus invoicing" is needed.

In conclusion, we urge the subcommittee to do all it can to provide the investigative and enforcement tools necessary to combat these problems. We appreciate the opportunity this committee has presented to our industry to express our concerns and relay our experiences with fraud. I will be happy to answer any questions you may have.

[The prepared statement of Mr. Bügge follows:]

**STATEMENT OF GARY H. BÜGGE ON BEHALF OF MEDIA ADVERTISING CREDIT SERVICES,
INTERNATIONAL NEWSPAPER FINANCIAL EXECUTIVES, AND THE NEWSPAPER ASSOCIATION
OF AMERICA**

Good Morning Madam Chairwoman and members of the Subcommittee. I am Gary Bügge, and I am here today on behalf of Media Advertising Credit Services, International Newspaper Financial Executives, and the Newspaper Association of America.

I am vice president of operations for Media Advertising Credit Services (MACS). MACS is a subscriber-based media credit and collection service which addresses the needs of media advertising credit departments. In addition to performing the typical tasks of an industry credit and collection service, MACS also disseminates information concerning consumer and commercial fraud schemes and other questionable advertising. MACS is a wholly owned subsidiary of the International Newspaper Financial Executives (INFE), a trade association of newspaper financial executives. INFE serves more than 1,000 members in all 50 states, Canada and internationally.

The Newspaper Association of America (NAA) is a non-profit corporation serving approximately 1,250 member newspapers in the United States and Canada. The majority of NAA members are daily newspapers accounting for more than 80 percent of the daily newspaper circulation. In addition, nearly 200 individuals and companies allied with the newspaper industry are associate members of NAA.

NAA is a relatively new organization and was formed out of the merger of seven fraternal organizations in 1992¹. In this new organization, NAA's Classified Advertising Council has assumed the role of the former Association of Newspaper Classified

¹Those organizations were the American Newspaper Publishers Association, Newspaper Advertising Bureau, International Circulation Managers Association, Association of Newspaper Classified Advertising Managers, International Newspaper Advertising and Marketing Executives, Newspaper Advertising Co-op Network and Newspaper Research Council.

Advertising Managers. The "bogus invoicing" scam that I discuss below is one of their major issues. NAA, through its various publications and committees, very carefully follows fraud issues in the newspaper industry and disseminates information in this area. Both MACS and NAA conduct seminars and training sessions on advertising and the problems associated with advertising fraud.

MACS is currently a member of the Alliance Against Fraud in Telemarketing (AAFT), which is coordinated by the National Consumers League and is a coalition of trade associations; labor unions; industrial groups; law enforcement and regulatory agencies; consumer reporters; local, state, and federal consumer protection agencies and nonprofit organizations. I serve on the AAFT Subcommittee on Consumer Education. In the past 18 years, I have held positions in credit management, and have dealt with industry related issues with the Hearst Corporation and with Fairchild Publications, a division of Capital Cities/ABC.

I would like to commend the chair and the subcommittee for holding these hearings on mail fraud. This is an issue that touches the heart of all American communities and is of particular concern to the media. While both MACS and NAA are studying the Senior Citizen Against Marketing Scams Act of 1993, neither organization has taken a position on this bill.

FRAUDULENT ADVERTISING

At the outset, let me state that any form of fraudulent advertising is of great concern to the newspaper industry. Newspapers take very seriously the responsibility of seeing that what they print is as true and accurate as possible, and that the advertising they publish is not deceptive. A newspaper's reputation, and ultimately its livelihood, depend on it.

In today's advertising market, businesses and their advertisers have an unprecedented ability to reach greater numbers of people through a whole range of print,

electronic and broadcast media. As a result, advertisers — both honest and dishonest — have more opportunities to target audiences. While this has positive implications for the honest advertiser, it is also a windfall for the dishonest advertiser who is able to target vulnerable audiences through legitimate media.

Because most fraudulent schemes are local, a community's newspaper is on the front lines of the battle against fraudulent activity. When an advertiser places an ad with the newspaper, the newspaper generally scans it for so-called "red flags" indicating an ad is unacceptable for publication. These red flags may include ads for racially discriminatory housing, certain mail-order merchandise, vending machines, X-rated movies, fortune tellers, tobacco, certain 900 telephone services, firearms, work-at-home jobs, certain financial schemes, certain medical products and escort services, or anything else outlined in an individual newspaper ad acceptance policy. If there are other indications that an ad is intent on causing harm, a newspaper generally acts as a conscientious citizen of the community and the ad will not run. In addition, a call may be placed to the local Better Business Bureau and/or the appropriate state agency to verify past problems with the advertiser and to alert them to new potential problems.

Of course, some bad ads do slip into newspapers, but the number of deceptive advertisements are very few, given the vast number of classified ads placed each day throughout the country. On a typical Sunday, for example, more than 69,000 classified ads appear in the pages of just *The New York Times*, the *Los Angeles Times* and *The Washington Post*. When one takes into account that there are more than 7,000 daily and weekly, paid and free circulation newspapers in the United States, plus hundreds of shoppers, it is a testament to the industry's vigilance that more bad ads don't slip in.

Newspapers are very much aware that advertisements placed in their publications may be the starting point for fraudulent schemes. One typical scam that uses newspapers works like this: An unsuspecting newspaper customer reads an ad for an excellent travel opportunity in their local paper. The advertisement may contain a company name

(generally fictitious), a phone number and an address, or sometimes just a phone number. In order to take advantage of this great travel offer, the reader is instructed to call the company. Once the reader makes the call the scam really begins. The company instructs the reader to send money in order for the reader to take advantage of this great deal. The reader does not go on that wonderful trip or receive a refund because the company has closed up shop, changed its address and/or changed phone numbers and taken off with the money.

Schemes like this appear in all types of newspapers, and if newspapers knew how to weed out the bad ads from the good, they would do so. Unfortunately, most ads for scams are not deceptive on their face. They contain no red flags and appear as a legitimate advertisement. These types of ads are almost impossible to weed out. Without some indication on the face of the ad indicating that it is part of a scam, or without some prior knowledge that the company, address, or phone number in the ad is associated with a particular scheme, a newspaper has no way to tell the bad ads from the good. Given the tens of thousands of ads that are placed each day across the country, newspapers practically cannot investigate each and every classified advertisement submitted to the paper. For one, the classified and display ad departments of most newspapers typically operate with small staffs who place ads within a tight time frame. And, a newspaper could not afford to spend one hundred dollars of staff time to investigate an ad for which it will receive twenty-five dollars.

This is not to say that newspapers are not out there attempting to combat fraud in advertising. They are. Many newspapers have employee committees whose responsibility it is to ensure to the best of their ability that ads are truthful and accurate. Various newspapers do have employees whose primary responsibility is to catch fraudulent advertising before it is printed and often have staff who act as an advertising acceptance coordinator for display and classified advertising. As a safety net, many newspaper advertising credit departments review ad content prior to approving credit

worthiness. Finally, many newspapers through one department or another are in constant contact with Better Business Bureaus, local consumer groups, and local law enforcement officials.

In addition to combating the use of advertisements to commit fraud at the local level, information networks exist at the state level as well. Press associations exist in a majority of states and generally have 95 -100 percent newspaper membership. As a matter of course, member newspapers will alert the press association about fraudulent advertising they have discovered. The press associations will in turn alert the rest of the membership through their bulletins. In addition, the press association will read about advertising scams in other states which also will be passed on to their members. There are regional press associations who operate in the same manner.

MACS plays a leading role in the national struggle to alert the media to recognize and deal with fraudulent advertising when it is presented for publication. We work closely with local, state, and federal agencies as well as private associations such as the Alliance Against Fraud in Telemarketing, as part of a "fraud prevention team." MACS conducts seminars designed to help a newspaper learn when it's staff should suspect that advertising may be fraudulent and what steps a newspaper can take to protect themselves and their readers.

INFE alerts its membership about the impact of fraud through its trade publication the *Newspaper Financial Executive Journal* and the NAA alerts member organizations of wide-spread fraudulent schemes through its various publications which include NAA's trade magazine, *Presstime*®, and its *Advertising and Classified Updates*, publications directed specifically at the advertising and classified departments of newspapers.

All industry groups—the state and regional press associations, MACS, INFE, and NAA—participate in an informal network, keeping each other abreast of local, state, and national schemes.

BOGUS INVOICING

While the industry has devoted more resources to combating fraud over the years, it is unfortunate that newspapers have seen significant growth in recent years in an advertising scam directed at themselves and their advertisers throughout the United States.

The newspaper industry calls this form of fraud "bogus invoicing." It also occurs in other areas of print advertising. "Bogus invoicing" operates against newspapers and their advertisers in the following manner: Individuals or companies reprint *without permission* classified advertising in "questionable" publications. The ads are generally employment advertising and appear as they were originally published in a newspaper. These publications look like legitimate publications but have either no circulation or nominal circulation. The "questionable" publications then "solicit" the advertiser by mailing to the advertiser's accounts payable department a "solicitation" form. This solicitation form, however, looks like an invoice a newspaper would send an advertiser who has placed a classified ad. The advertiser's accounts payable department is often unaware of where the ad was placed, and frequently pays the solicitation instead of (or sometimes in addition to) the newspaper invoice.

These solicitations are deceptive and fraudulent in three ways. First, in addition to the invoice, the advertiser is often sent a tearsheet of the advertisement as it appeared in the "questionable" publication. Newspapers use tearsheets to verify that an ad has run. Newspapers never use tearsheets to solicit advertisers. Second, the "bogus" invoice is timed to arrive at the advertiser's accounts payable department around the time the newspaper's invoice arrives. Often it arrives before the newspaper's invoice so as to be mistaken for the newspaper invoice and it is paid on the presumption it is the newspaper's invoice. Finally, disclaimer language indicating the piece is a solicitation and not an invoice is inconspicuous, often printed in very light yellow ink. This ink is extremely difficult to read and does not photocopy well. It is the photocopy of the bill, now without

the "disclaimer," which is sent to another department for payment approval. As a result, the advertiser can easily mistake this "bogus invoice" for an actual invoice from the newspaper and then pay the amount to the wrong company.

The deceptive schemes these publications practice threaten a newspaper's integrity, injure its goodwill with advertisers, and reek havoc on well planned advertising efforts. "Bogus invoicing" causes scarce advertising dollars to pay for services that were neither solicited nor requested, causing budget problems for the advertisers and depriving a newspaper of potential revenue.

Evidence gathered by MACS and NAA indicates that there are *at a minimum* 16 documented companies operating "bogus invoicing" schemes and their scams are widespread. Newspapers in California, Georgia, Indiana, Michigan, New Jersey, North Carolina, Ohio, Washington and the District of Columbia, just to name a handful, have alerted my organization or the NAA to scams against their advertisers.

"Bogus invoicing" generates, in the aggregate, a significant amount of money for those running these scams. Individual "solicitations" generally ask anywhere from \$138 - \$166 per column inch. One tearsheet which I was able to examine had 250 column inches and the publication apparently contained at least 188 pages. Assuming that the various publications mimic one another, that works out to \$841,500 per page or \$7.8 million per issue. If only one percent of those "solicited" sent a check in error, one of these publications would receive \$78,000 per issue each week or over \$4 million per year. If all 16 documented publications are similar in size and published weekly, the amount of money is \$64 million per year.

By using the mail system as their primary vehicle to deliver these invoices, these publications violate 39 U.S.C. §3005, the postal false representation statute and arguably are nonmailable under 39 U.S.C. §3001(d), mailing solicitations in the guise of invoices. As this Committee is well aware, combined, both these statutes protect mail customers

from individuals and companies that solicit business or money in a manner that could be reasonably construed or interpreted as a legitimate bill or invoice.

We believe that the solicitations or invoices sent by these companies, which have been examined by advertisers, newspapers, MACS and NAA, do not meet the requirements of §3005 which states that when soliciting business through the mail, the solicitation must be conspicuous and of legible type in contrast by typography, layout and color. While the invoices contain the required statements, the invoices are designed to be deceptively similar to a real invoice in general appearance. Most importantly, the required statement is printed in inconspicuous light yellow type which is hardly readable and tends not to reproduce when copies of the invoice are made for payment approval.

Attempts to work with these publications on an informal basis have proven fruitless. Newspapers have asked them to refrain using forms that are similar to traditional newspaper invoices. They have refused contending that they are operating within the letter of the law. Because informal avenues have been ineffective, newspapers have turned to the United States Postal Inspection Services for assistance — with some success.

In *United States Postal Service v. Professional Opportunity Magazine, Inc.*,² a postal administrative law judge determined that one of these publications clipped employment ads from newspapers without the prior knowledge or approval of the advertiser, and sent a form that was deceptively similar to an invoice to the advertisers accounts payable department in a scheme that was likely to deceive. The judge concluded that continuation of the scheme would be to the substantial detriment of the public and specifically found probable cause to believe that the defendant was in violation of 39 U.S.C. §3005, the postal false representation's statute, and temporarily enjoined one publication from continuing this aspect of their operations.

² Case No. SA CV 91-01696 LT (U.S. Dist. Ct. for the Central District of CA).

Additional proceedings have been brought by the United States Postal Inspection Service. Some have been settled while others continue to move through the formal adjudicative proceedings. While newspapers have an ally in the United States Postal Inspection Service, we have found that there is a serious administrative "glitch" that is preventing the Inspection Service's diligent efforts from being fully effective. Although the Service has proven that several companies have violated §§ 3001(d) and 3005, many of their cease and desist orders are not being signed in a timely manner by the Postal Service's Judicial Officers. As a result these companies are continuing to defraud advertisers. Efforts to speed up the process have been initiated but more can and should be done.

Not only has the U.S. Postal Inspection Service gone after these companies, but also newspapers themselves have pursued legal action. The Orange County Register, (California) was successful in their suit to enjoin several publications from using classified ads placed in their newspapers³. Unfortunately, successful attempts to enjoin these publications have had a limited affect. If the publication is enjoined, generally it is enjoined from using a particular newspaper's classified advertising, not every newspaper's classified ads. There is nothing to stop these publications from instigating the same deceptive practices against a newspaper in another community. In addition, it is very easy to stop using a particular name for a publication and start soliciting under a new name. Changing names allows the scam to continue because any successful injunctions against the "old" publications are not enforceable against these new entities.

Efforts at the state level also have limited impact. In August of this year, the State of North Carolina sought a permanent injunction, and as of now, has received a temporary restraining order against Employment Classifieds a publication practicing this type of scam in the state⁴. The Attorney General for North Carolina successfully argued

³*Freedom Newspapers, Inc. dba The Orange County Register v. Professional Opportunity Magazine, et al.*, (No. 661301, CA Super. Ct., Oct. 28, 1991).

⁴*State of North Carolina v. Employment Classifieds, et al.* (93 CVS 7328, N.C. Super. Ct., Wake County).

that the publication violated the state's Unfair and Deceptive Trade Practices Act. While a temporary restraining order was issued and the case is proceeding, the order has no effect on the other publications coming into the state. Nor does it have any legal effect on this publication in any other state.

Because there are limited resources devoted to ceasing these scams, the practice of "bogus invoicing" continues. Individual newspapers must decide if they want to expend valuable resources to fight these publications. Many newspapers simply cannot afford to fight. But even if they could, the effects of a successful fight are limited. As for national initiatives, MACS does its part by collecting information and alerting subscriber newspapers and other trade associations to these scams. MACS also conducts seminars on how to deal with the problem of "bogus invoicing" and how to cooperate with regulatory and law enforcement agencies. In addition, MACS has testified as an expert witness at cease and desist hearings brought by the United Postal Inspector Service.

NAA assists by alerting its membership through its association magazine, *Presstime*®, and other NAA publications including the *Advertising Update* and *Classified Update*. In addition, NAA has contacted the Federal Trade Commission, the White House, and the United States Postal Inspection Service to highlight the problem and discuss strategies.

As "bogus invoicing" spreads across the country, a concerted national and unified effort to effectively combat this problem must be undertaken. Without such an effort, the problem will not go away. Because these publications use the mail as the primary means of solicitation, the US Postal Service is the appropriate agency to battle this pervasive problem. In particular, the United Postal Inspection Service, the agency mandated to prosecute individuals and companies who violate the various sections of the postal code, should continue its important role in prosecuting these companies.

In order for Postal Inspectors to do their job, they must be given the resources and the authority to effectively prosecute businesses who are intent on using the mail system

to commit fraud. We urge this committee to do all it can to provide the postal inspectors with all the investigative and enforcement tools necessary to combat these problems

CONCLUSION

We appreciate the opportunity this committee has presented to our industry to express our concerns and relay our experiences with fraud. I will be happy to answer any questions the Committee may have.

Miss COLLINS. Do either of the two—does either of the two pieces of legislation deal with the “bogus invoicing”?

Mr. BÜGGE. Not specifically, no. We haven't had the opportunity to truly study those and take a position on it.

Miss COLLINS. Maybe we need to put a friendly amendment in. The Senate has already passed 568, and 868 passed the House in March.

Mr. BÜGGE. There are elements of the legislation which would hit certain areas, but I would say that it has not specifically been dealt with. Certainly the postal authorities having everything that they need to truly complete their job from the beginning right through to the end would help.

Miss COLLINS. You spoke on the red flags, that community newspapers won't accept those ads when they see the red flag. Is there a procedure for referring those ads to the authorities?

Mr. BÜGGE. Each newspaper has its own individual policy, which is consistent with, you know, the philosophy that newspapers cherish, the first amendment free speech rights. However, through education, especially over the last few years, there have been many efforts on the part of the newspaper community in general through disseminating information and educational seminars, through State press associations, through associations like NAA and INFE and MACS, to take any information that we do get and get them to the—people that we have been dealing with, which may be Better Business Bureaus, it may be the attorney general, what we will do is pass our information along to whichever appropriate agency seems likely to handle it.

However, there is still, I would say, not a complete network chain of command that I get this, something looks suspicious, let me call this agency. There is consumer—Better Business Bureaus have a lot of lines which are no longer in existence. I spoke with Esther Shapiro yesterday in Detroit, Department of Consumer Affairs, and she still is overloaded with complaints that come in, and it is like trying to tread water and then to filter them to the appropriate level and agencies, State, local or Federal.

Mr. YOUNG. I am interested in this thing. This is an amazing piece of deception.

Mr. BÜGGE. We think so.

Mr. YOUNG. I think I have pretty good eyesight, but they have scrambled, if you look real careful at this, it says this is not a bill, et cetera. The only thing to defend themselves; they put it on the back, right?

Mr. BÜGGE. Correct.

Mr. YOUNG. You are saying most people, it comes to a newspaper during the end of the month paying bills, et cetera.

Mr. BÜGGE. Let me clarify, it doesn't come to the newspaper, it comes to the advertiser.

Mr. YOUNG. I am a clothing store.

Mr. BÜGGE. You are the clothing store, you are running an advertisement in your local newspaper, they run the advertisement, these people then cut the ad, paste it up, or in some instances do not have a tear sheet, they just send the bill out which is timed to arrive at your clothing store at about the same time that the newspaper invoice would get there. It is identified by maybe a tele-

phone number or by the first line in the sentence, you see that or the accounts payable person or the level of management that is going to agree with this and sign off on it to pay it, they say you ran an ad, there it is, cut the check.

Then the newspaper calls and says where is our money, and they say but we paid you, here is the canceled check. For a few hundred dollars, most newspapers don't want to incur the wrath of their good, solid advertisers.

Mr. YOUNG. The fraud occurs on the newspaper because I pay the bill, I think I pay the bill.

Mr. BÜGGE. Yes. Well, it occurs on the newspaper where the newspaper does not get payment. It certainly occurs on the advertiser and also on the consumer, because they—technically, they should be paying it twice. They should not have paid this bill. They should have paid only the legitimate bill.

Mr. YOUNG. Can you identify the company that is doing this?

Mr. BÜGGE. Yes. There are 16 different companies that we have identified so far. I believe that we may have now identified 17th. And the postal authorities are aggressively pursuing it. They do have a hearing at the end of October with the principals of this company and at least one other company.

Mr. YOUNG. What happens when—we have a lot of—do the newspapers have the ability to be suspicious when an ad is placed in the paper concerning another State? Let's say I am a Chicago newspaper or New York Times and someone comes in and puts an ad in, employment in Alaska, \$80 an hour, huge benefits, send \$25 for the information. That is a fraudulent ad, but they do that.

Mr. BÜGGE. Each newspaper has certain guidelines that they do follow, and based upon their size and their location, they might pick up on an ad like that very quickly.

However, the New York Times, the Los Angeles Times, and the Washington Post put out 69,000 classified ads, you know, on any given Sunday. So the likelihood of getting every single one is not great.

The newspaper on a local basis, on a smaller newspaper, doesn't have the staff to review every ad that comes in, and especially if it comes in and doesn't have certain obvious problems. Some advertisements you see do have obvious problems. They get through, and we are trying to find ways that would allow newspapers to see their buzz words, that if you see that, you should at least look further.

Mr. YOUNG. Madam Chairman, the reason I bring it up, we had a case this summer where there was an ad placed in, I think it was the Los Angeles Times, about high-paying fishing jobs, and send \$35 for the information. Of course, it got up to the State, we found out about it, and what it was was a list of all the boats that had been registered with the Coast Guard.

Mr. BÜGGE. Right. Unfortunately on its face that is not necessarily illegal.

Mr. YOUNG. Right, but it is fraud, because it was information already there, and we had a lot of people very upset.

Mr. BÜGGE. I take my newspaper hat off and put on my consumer hat and I will definitely tell you on a personal basis that if you have to send money to get information, you should be sus-

pect. There may be a legitimate reason to do so, but you shouldn't just see it and say, wow, I think I am going to write a check or pay by credit card. So I put my newspaper hat back on now.

Mr. YOUNG. OK. I have no other questions.

Miss COLLINS. Thank you very much. Mr. Armstrong, Alan Armstrong, area franchiser for Mail Boxes, Etc.

Mr. ARMSTRONG. Thank you, Madam Chairwoman. First of all, I have taken, at the suggestion of two representatives, I have taken certain portions of my testimony out, but I will be prepared to answer any questions on that portion at the end.

Madam Chairwoman and members of the subcommittee, my name is Alan Armstrong and I am here today as a franchisee of Mail Boxes, Etc. We are an international franchiser with approximately 2,000 MBE centers located throughout the United States and more than 100 MBE centers located in other countries. Mail Boxes, Etc. is the largest entity in the Commercial Mail Receiving Agency, CMRA, industry.

Our principal customers are small businesses and individuals who value service and want assurance that their needs are taken care of quickly and efficiently. A large volume of our business is conducted with long-term customers, often a small businessman or woman, who needs a private mailbox and the additional services supporting that mailbox which we provide.

MBE considers itself a leader in helping to reduce mail fraud occurring at its centers. All MBE franchises receive extensive training prior to opening their MBE center. That training includes a briefing on commercial mail fraud and suggestions on how to recognize and prevent it. Our policy is to cooperate completely with all efforts by U.S. postal inspectors and any law enforcement agency in any criminal investigation concerning fraud occurring at an MBE center.

As with the Postal Service, we have unfortunately found that there are scam artists who attempt to use the mail and private mailboxes for fraud. To help prevent this, our franchises have cooperated with State and local law enforcement agencies and consumer agencies to combat such fraud.

Another matter that I would like to touch upon concerns proposed legislation: while a CMRA is required by U.S. postal regulations to obtain personal identification information from all boxholders and disclose that information in a USPS form 1583, which is then filed with the local post office, it is our experience that the form oftentimes cannot be located or made available to law enforcement agencies.

Accordingly, what we would recommend is a requirement in Federal law that a CMRA shall not provide mailbox receiving service to any customer until it obtains from that customer at least two pieces of identification. Thereafter, in addition to filing the form 1583 with the local post office, the CMRA should also be required to keep a copy of the form 1583 on file at the CMRA. The form 1583 should then be made available for inspection and copying upon request of any law enforcement agency.

And as before, we would urge that a provision be added to the law to make clear that the CMRA itself not be made liable for any illegal use of its mailbox facilities by its customers. Again, just as

a Postal Service is not liable for unlawful acts by others, and the local telephone company is not liable for the misuse of the telephone, the CMRA owner should not be liable for the misdeeds of its customers.

In addition, we would also recommend that as an aid to law enforcement authorities, the USPS be directed to maintain a current listing of all CMRA's identifying the CMRA's by full name and address, and U.S. Postal Service facilities which provide mailbox receiving services. Such a list would be immediately useful to law enforcement agencies in identifying or locating individuals who might use such mail receiving facilities for unlawful purposes.

We have also recently been contacted by representatives of major credit-card companies regarding concerns these companies have with credit-card fraud. This issue involves the use of post office and private mailbox rentals to defraud the credit-card companies through issuance of credit-cards under false pretenses. We are working with the credit card companies to develop an approach to issue updated information which the companies need to be made available to them.

There is one area of Postal Service policy which if changed could assist in combating mail fraud. This involves the forwarding of mail by the CMRA's such as MBE's franchise owners. When a store owner becomes a commercial mail receiving agent, that store owner is required to fill out a USPS form 1583 for each mailbox rented, which we discussed earlier.

This form authorizes the CMRA to receive mail for the individual who filled out the form. This process works well and efficiently so long as that individual maintains the MBE center as his address. However, when that customer moves or otherwise decides to discontinue his use of the CMRA as his address, the Postal Service will not forward his mail to the new address. Unlike with private addresses or with post office boxes rented from USPS at post offices, the Postal Service requires that the CMRA do all the mail forwarding. No change of address form can be filled out by an individual or the CMRA on his behalf.

As members of the committee can readily see, this causes a number of problems. In addition to extra work for the Postal Service because it must deliver mail twice, first to the CMRA and then to the new correct address, this has increased the potential use of private mailboxes for improper purposes because the Postal Service does not have an accurate address for an individual who no longer uses a CMRA.

In our meetings with the credit card companies, they have stressed the absolute importance of accurate and updated information to permit them to police their own efforts to combat credit card fraud. Our suggestions to them include changing this policy of mail forwarding so that accurate information and mail delivery can be assured.

Mail Boxes, Etc., also urges this committee to look at this issue in any legislation on this matter. The first defense in any effort to combat mail fraud must be accurate information for the Postal Service, law enforcement, CMRA's, and Postal Service users.

I thank you for your attention and I would be happy to answer any questions you may have.

[The prepared statement of Mr. Armstrong follows:]

PREPARED STATEMENT OF ALAN ARMSTRONG, AREA FRANCHISER, MAIL BOXES, ETC.

Testimony of Alan Armstrong
Before House Post Office and Civil Service Committee

October 6, 1993

Madame Chairwoman and members of the Subcommittee, my name is Alan Armstrong, and I am here today as a Franchisee of Mail Boxes Etc. Mail Boxes Etc. is an international franchisor, with approximately 2,000 MBE Centers located throughout the United States and more than 100 MBE Centers located in other countries. Mail Boxes Etc. is the largest entity in the Commercial Mail Receiving Agency (or CMRA) industry.

Our industry is based upon service for our customers. We provide a variety of services, including private mailbox rental, photo copying, mailing, packaging and shipping and retail sales of office supplies. We are also the largest agent organization for Western Union and are beginning to serve as sales agents for commercial airline ticketing.

Our principal customers are small businesses and individuals who value service and want assurance that their needs are taken care of quickly and efficiently. A large volume of our business is conducted with long term customers, often a small businessman or woman, who needs a private mailbox and the additional services supporting that mailbox which we provide.

Virtually all of the Mail Boxes Etc. Centers are individually owned by franchisees, with the franchisor owning and operating only a single MBE Center in San Diego for R&D purposes. There are approximately 2,000 MBE centers in states from Alaska to Florida and Hawaii to Maine. More recently, MBE has also begun to expand internationally with centers being opened in Europe, South America, and Asia.

Mailboxes Etc. appreciates this invitation to testify before this Committee on S.557 and commercial mail fraud generally. Our testimony will concentrate primarily on general principals. Our business is not really involved in telemarketing so we don't have much to say about S.557 specifically. However, as a preliminary matter, I would like to say that among the services we offer is express courier service through virtually all major companies, including the U.S. Postal Service, Federal Express, United Parcel Service, and others. We are therefore quite interested in the portion of the bill which would expand the scope of the commercial mail fraud statutes to include private courier services.

I did not attend the prior hearings, but I assume any testimony which you received from representatives of those companies stressed the need to assure that the services themselves not be made liable for any illegal customer use of their service, just as the US Postal Service is not held responsible for any misuse of its mailing services. Mail Boxes Etc. would echo such testimony and urges the Committee to insure that any legislation on this subject provide that separation and assurance.

MBE Efforts to Combat Mail Fraud

MBE considers itself a leader in helping to reduce mail fraud occurring at its centers. All MBE franchisees receive extensive training prior to opening their MBE Center. That training includes a briefing on commercial mail fraud and suggestions on how to recognize and prevent it. Our policy is to completely cooperate with all efforts by U.S. Postal Inspectors and any law enforcement agency in any criminal investigation concerning fraud occurring at an MBE Center.

As with the Postal Service, we have unfortunately found that there are scam artists who attempt to use the mails and private mailboxes for fraud. To help prevent this, our franchises have cooperated with state and local law enforcement agencies and consumer agencies to combat such fraud.

One of the issues that has arisen in the CMRA industry is how mailbox customers address their mail. When the industry started more than a dozen years ago, it was widespread and common practice for mail box customers to use a "suite no." instead of a "box no." in their address. The intent of the mail box customer, who was oftentimes a small business person working out of his home, was to have a more "prestigious address", so that he could more effectively compete in the marketplace. Unfortunately, there were instances in which the small business person renting a mail box may not have been operating a legitimate business, and we did receive a few complaints from state or local governments. One was from Montgomery County, Maryland and the second was from the State of Pennsylvania. In resolving the issue with the Attorney General of the State of Pennsylvania, MBE decided to eliminate the problem to the greatest extent possible, and accordingly, directed its entire network of franchisees to refrain from using a "suite" address. Accordingly, MBE Center owners have been advised that the proper designation for the address of a mail box customer is "box # _____" or simply "# _____".

Proposed Legislation

Another matter that I would like to touch upon concerns proposed legislation.

While a CMRA is required by U.S. Postal regulations to obtain personal identification information from all boxholders and disclose that information in a USPS Form 1583, which is then filed with the local post office, it is our experience that the Form oftentimes cannot be located or made available to law enforcement agencies.

Accordingly, what we would recommend is a requirement in federal law that a CMRA shall not provide mailbox receiving service to any customer until it obtains from that customer, at least two pieces of identification. Thereafter, in addition to filing the Form 1583 with the local post office, the CMRA should also be required to keep a copy of the Form 1583 on file at the CMRA. The Form 1583 should then be made available for inspection and copying upon request of any law enforcement agency. And, as before, we would urge that a provision be added to the law to make clear that the CMRA itself not be made liable for any illegal use of its mail box facilities by its customers. Again, just as the U.S. Postal Service is not liable for unlawful acts by others, and the local telephone company is not liable for misuse of the telephone, the CMRA owner should not be liable for the misdeeds of its customers.

In addition, we would also recommend that as an aid to law enforcement authorities, the USPS be directed to maintain a current listing of all CMRA's (identifying the CMRA's by full name and address) and U.S. Postal Service facilities which provide mailbox receiving services. Such a list would be immediately useful to law enforcement agencies in identifying or locating individuals who might use such mail receiving service facilities for unlawful purposes.

We have also recently been contacted by representatives of major national credit card companies regarding concerns these companies have with credit card fraud. This issue involves the use of Post Office and private mailbox rentals to defraud the credit card companies through issuance of credit cards under false pretenses. We are working with the credit card companies to develop an approach to issue updated information which the companies need to be made available to them.

Mail Forwarding

There is one area of Postal Service policy which if changed, could assist in combatting mail fraud. This involves the forwarding of mail by the CMRA's such as MBE's franchise owners. When a storeowner becomes a Commercial Mail Receiving Agent, that storeowner is required to fill out a USPS form 1583 for each private mailbox rented. This form authorizes the CMRA to receive mail for the individual who filled out the form. This

process works well and efficiently so long as that individual maintains the MBE center as his address. However, when that customer moves or otherwise decides to discontinue his use of the CMRA as his address, the Postal Service will not forward his mail to his new address. Unlike with private addresses or with post office boxes rented from the USPS at post offices, the Postal Service requires the CMRA to do all the mail forwarding. No change of address form can be filled out by an individual or the CMRA on his behalf.

As members of this committee can readily see, this causes a number of problems. In addition to extra work for the Postal Service because it must deliver mail twice--first to the CMRA and then to the new correct address--this has increased the potential use of private mailboxes for improper purposes because the Postal Service does not have an accurate address for an individual who no longer uses a CMRA. In our meetings with the credit card companies, they have stressed the absolute importance of accurate and updated information to permit them to police their own efforts to combat credit card fraud. Our suggestions to them include changing this policy of mail forwarding so that accurate information and mail delivery can be assured.

Mail Boxes Etc. also urges this committee to look at this issue in any legislation on this matter. The first defense in any effort to combat mail fraud must be accurate information for the Postal Service, law enforcement, CMRA's and postal service users.

I thank you for your attention and would be happy to answer any questions you may have.

Miss COLLINS. Why won't the post office—you have been in dialogue with them I am sure. Why won't they forward the mail?

Mr. ARMSTRONG. It is in their regulations that commercial CMRA's have that responsibility. I am not sure of the logic behind that, but it is in their regulations requiring that.

The practical effect is that it makes it much more difficult in the process of people changing addresses—I mean they are used to going to the post office and filling out an address card and leaving that, and oftentimes they don't recognize the fact that that—nothing happens when they do that. Sometimes the post offices take those cards and get rid of them; other times they will do—they will send them to us.

I don't understand the logic, Madam Chairwoman. But it is the way they do business.

Miss COLLINS. I am looking at your page 2. Tell me how would a letter addressed to CMRA—does it just say John Doe? Just tell me how it would be addressed.

Mr. ARMSTRONG. I understand. It would come: John Smith, and then there are several different ways it could come. It may come with the next line box 218 or 333 or whatever it might be, or it may come with the address, the address line, and the address line is the physical address of our store. In my case it would come with 8640 M Guilford Road, Columbia, MD on it.

Miss COLLINS. With a box?

Mr. ARMSTRONG. Yes, ma'am. Sometimes the way it will work is 8640 M Gilford Road, number 218, or box 218. All of our customers, although we give them a specific way to do it, they tend to kind of do it their own way in most cases.

Miss COLLINS. There is a post office box or P.O. box?

Mr. ARMSTRONG. No, ma'am. We are not permitted by the Postal Service to put post office in there.

Miss COLLINS. I know you are not. But do you get addresses—do you get letters saying P.O. box?

Mr. ARMSTRONG. Yes, ma'am, sometimes that happens.

Miss COLLINS. But the post office knows how to deliver it anyway? Is that because of the zip code?

Mr. ARMSTRONG. Well, it is because of the physical line to the 8640 Gilford Road.

Miss COLLINS. So they all have the address on them?

Mr. ARMSTRONG. Yes, ma'am.

Miss COLLINS. Well, we can inquire to the Postal Service why. You know, we hear their side of the story of why they won't forward it. Do you have a policy with respect to referring mail fraud cases to the Federal enforcement—law enforcement agencies?

Mr. ARMSTRONG. Yes, ma'am. Beginning with our training in California, where all new franchises must go, they receive a half-hour training at that—on initial training in California where they address all of those issues and give examples of scams that have been run in the past, and we encourage it. In fact, in most of our cases, we are small business people, and it is important for us to keep our credibility in our local communities, and we know—by and large we know the local police officials and that sort of thing. We get to know sometimes the postal officials and the Secret Service people, and we tend to work very closely with them.

Miss COLLINS. If there is a scam, do you notify all 2,000 of your franchises?

Mr. ARMSTRONG. It depends on what the nature of the scam is. Sometimes there are local scams, in which case we wouldn't necessarily notify the entire network, and that has happened upon occasion. There have been several scams that have been particularly East Coast oriented where they use, try to use mailboxes kinds of facilities and a private mailbox and we try to keep our people ahead of what is going on in that area; yes, ma'am.

Miss COLLINS. Do any of your scams use the money, say Western Union? You say you have a lot of Western Union—

Mr. ARMSTRONG. Yes, ma'am. Most of our stores are Western Union agents and that opens up really a—there are a significant number of possible scams in that area. And Western Union has an excellent network for dealing with it. But the imagination of some of our customers is just unbelievable in that regard.

Miss COLLINS. I know. The criminal mind is creative.

Mr. ARMSTRONG. Yes, ma'am.

Miss COLLINS. Well, thank you very much.

Mr. ARMSTRONG. Thank you.

Miss COLLINS. Next we have Mr. Thomas Caiazza, managing director for customer service, Federal Express. Welcome.

Mr. CAIAZZA. Good morning. Thank you, Madam Chairwoman.

The first thing I would like to do is commend everyone in the organizations represented at this table for taking the united front to combat the issue. It is nice to know that we are altogether and focused.

As you said, my name is Tom Caiazza, managing director of customer service for Federal Express. We have a reputation for reliability, efficiency, and dependability and it makes us the express carrier of choice for thousands of telemarketing firms and hundreds of thousands of other firms. Most are legitimate companies with, as you know, fine products. We want their business.

Unfortunately, some dishonest operators use telemarketing to defraud customers, as we have heard. Federal Express is concerned about this, obviously, and has taken a number of steps on behalf of consumers to address this, and it is a growing problem. Federal Express has joined the Alliance Against Fraud in Telemarketing, an agency of the National Consumers League. We meet regularly with the NCL to discuss ways we can help address this issue. In addition, Federal Express has just donated 20 computers to the NCL.

We have established a hotline that assists our customers who are unsure about sending money to requesters. Federal Express' hotline employees inform customers with questions of the telephone number of the Consumer Affairs Department in their State's attorney general's office, and we offer to transfer customers with questions to those offices at our expense.

We have adopted processes to discontinue doing business through an ethics policy with companies that have a documented history of legal complaints against them.

Whenever a customer has questions about a recipient, we advise them that Federal Express is not affiliated with any specific recipient to correct any misrepresentation that may have occurred.

We cooperate fully with law enforcement agencies by providing documentation when appropriately requested. Government and law enforcement agencies we currently work with include the Federal Bureau of Investigation, the Federal Trade Commission, various State attorneys general and the Association of State Attorneys General.

Federal Express warned consumers about the problem in the March 1992 issue of *Priorities*, a monthly mailout to hundreds of thousands of FedEx customers.

We have participated with other businesses, Government agencies, and consumer groups in conferences which seek to warn consumers about the problem of telemarketing fraud. We advise customers that Federal Express does not accept cash.

Federal Express has produced brochures which inform our customers of fraudulent telemarketing sales tactics. Starting August 1, our couriers deliver these brochures to certain customers requesting pickups on a nationwide basis. These brochures can also be found on the counters of our stations and our business service centers.

Regarding Senate bill 557, we strongly support section 8 of the bill which is, as you know, broadening application of mail fraud statute. We believe the application of the mail fraud statute to commercial interstate carriers will help significantly in the battle against telemarketing fraud.

We would also urge the creation of a national clearinghouse for handling these types of calls and some immunity from liability being provided for entities supplying information for enforcement.

Once again, thank you very much, Madam Chairwoman. I tried to keep my statement brief and at this point if there are any questions, I would be happy to answer them.

[The prepared statement of Mr. Caiazza follows:]

PREPARED STATEMENT OF TOM CAIAZZA, CUSTOMER SERVICES, FEDERAL EXPRESS

Madam Chairwoman and Members of the Subcommittee:

My name is Tom Caiazza. I am Managing Director of Customer Service—Eastern Region for Federal Express. We are very pleased to appear before your subcommittee today to discuss what Federal Express is doing to combat the growing problem of telecommunications fraud.

Federal Express' reputation for reliability, efficiency, and dependability makes us the express carrier of choice for thousands of telemarketing firms. Most are legitimate companies with fine products. We want their business.

Unfortunately, some dishonest operators use telemarketing to defraud consumers. Federal Express is concerned about this problem and has taken a number of actions on behalf of consumers to address this growing problem. To name a few:

Federal express has joined the Alliance Against Fraud in Telemarketing, an agency of the National Consumers League (NCL); we meet regularly with the NCL to discuss ways we can help address the problem. In addition, Federal Express has just donated 20 computers to the NCL.

We have established a hotline that assists our customers who are unsure about sending money to requesters; FedEx hotline employees inform customers with questions of the telephone number of the Consumer Affairs department in their State's Attorney General's office and we offer to transfer customers with questions to that office at our expense.

We have adopted processes to discontinue business with companies that have a documented history of legal complaints against them.

Whenever a customer has questions about a recipient, we advise them that Federal Express is not affiliated with any specific recipient to correct any misrepresentation that may have occurred.

We cooperate fully with law enforcement agencies by providing documentation when appropriately requested. Government and law enforcement agencies we work with include the F.B.I., the Federal Trade Commission, the various State Attorneys General, and the Association of State Attorneys General.

Federal Express warned customers about the problem in the March 1992 issue of *Priorities*, a monthly mailout to hundreds of thousands of FedEx customers.

We have participated with other businesses, government agencies, and consumer groups in conferences which seek to warn consumers about this growing problem.

We advise customers that Federal Express does not accept cash.

Federal Express has produced the attached brochures, which inform our customers of telemarketing fraud sales tactics. Starting August 1, our couriers deliver these brochures to certain customers requesting pick-ups on a nationwide basis. These brochures can also be found on the counters of our Stations and Business Service Centers.

Regarding Senate Bill 557, we strongly support section 8 of the Bill, "Broadening Application of Mail Fraud Statute." We believe the application of the Mail Fraud Statute to commercial interstate carriers will help significantly in the battle against telemarketing fraud.

We also would urge the creation of a national clearinghouse for taking the calls and the immunity from liability being provided for entities supplying information.

Again, thank you very much Madam Chairwoman for allowing us to come before your subcommittee today. At Federal Express, we treat telemarketing fraud as a very serious problem. We stand ready to help you and your subcommittee fight and defeat these scam telemarketers.

I would be happy to answer any questions.

FEDERAL EXPRESS**BE
SMART
BE
CAUTIOUS****BEWARE OF:**

- ☎ High-pressure sales tactics and demands that you send money or checks fast
- ☎ Callers who stay on the line to help you call Federal Express
- ☎ “Free” gifts that require you to pay “shipping and handling,” “redemption fees” or “taxes” before delivery
- ☎ Offers that sound too good to be true
- ☎ Callers who refuse to send information about the product or organization



B E W A R E !**DON'T
BE A
VICTIM
OF
FRAUD**

Do you ever get calls saying you've won a prize — but first you must send money? *What kind of prize is that?* Federal Express wants you to know we are *not a part of or affiliated with* any organizations offering prizes, special purchases, loans or investment opportunities.

If you have any questions or concerns about a check or money you've been asked to send via Federal Express, call:

1-800-238-5355






If you have already sent your package, we may still be able to help if you call us immediately. Have your FedEx airbill handy.

BE SMART BE CAUTIOUS

Federal Express wants you to know we are **not a part of or affiliated with** any organizations offering prizes, special purchases, loans or investment opportunities.

Don't be a victim of telemarketing fraud.

Beware of:

-  High-pressure sales tactics and demands that you send money or checks fast
-  Callers who stay on the line to help you call Federal Express
-  "Free" gifts that require you to pay "shipping and handling," "redemption fees" or "taxes" before delivery
-  Offers that sound too good to be true
-  Callers who refuse to send information about their product or organization

Contact your local **Consumer Affairs Office** or, if you have questions about a check or money you've been asked to send via **Federal Express**, call **1-800-238-5355**.

FIGHTING FRAUD

Have you ever heard that you have won a wonderful prize, only to be told that you must first send hundreds or even thousands of dollars for “taxes” or “delivery?” This kind of offer may be fraudulent.





Many successful and respected businesses use telephones to sell their products or services. However, telemarketing also can be used to defraud consumers.

FEDEX LOSES, TOO

Unscrupulous telemarketers sometimes use Federal Express® to avoid federal criminal statutes, quickly get your money before you change your mind or take advantage of the trust you place in a FedEx courier.

TAKING STRONG STEPS

Federal Express has acted to combat telemarketing fraud.

-  We are a member of the Alliance Against Fraud in Telemarketing
-  We staff a separate telephone line (1-800-238-5355) to assist customers with questions about requests to send checks or money via Federal Express
-  We discontinue business with companies that have a verified history of complaints against them
-  We provide law enforcement agencies requested documentation

Miss COLLINS. Thank you very much. Do you have a stringent criteria, or is it easy to set up c.o.d. accounts, for merchants to set up c.o.d. accounts?

Mr. CAIAZZA. It is fairly easy to arrange any type of account with Federal Express. But as a matter of fact, that does not inhibit us from identifying these fraudulent operators. It actually enhances our ability, because an account number is an identifier. It gives us the ability to more easily identify people who are defrauding the public.

Miss COLLINS. Under what circumstances will Federal Express terminate a merchant's account for suspected fraudulent activities?

Mr. CAIAZZA. I am not exactly sure, Madam Chairwoman. In the case of our local customer representatives in no case can they be empowered currently to discontinue using—or discontinue someone using Federal Express. We do have a credit hotline that identifies those customers who have been repeat offenders in violation of our third-party pickup, which is an option that is most often used by companies engaging in telemarketing fraud. And those people in the credit hotline, plus anyone above the level of vice president can choose to discontinue doing business with an account, but only those people.

Miss COLLINS. These are good brochures.

Mr. CAIAZZA. Thank you.

Miss COLLINS. They are very good. Thank you very much.

I don't have many questions because you answered them all in your testimony.

Next we have Mr. Richard Barton, vice president, Direct Marketing Association, Inc. Welcome, Mr. Barton.

Mr. BARTON. Madam Chair, I was going to say Mr. Young, but in absentia, Mr. Young, it is a real pleasure to be here today to discuss with you the activities which the Direct Marketing Association and direct marketers in general are engaged in very actively in trying to combat fraud, both in the mail and by telephone, and to also combat what we consider unethical activities in the business, which may not go over into the area of fraud, but which are disturbing to us nonetheless. I too, as Tom said, want to thank you for making us a part of a distinguished panel which does show to you that I think various aspects of business are very aggressively trying to combat fraud, because it hurts us all.

The Direct Marketing Association is an association of about 3,000 companies in the United States. We have about 700 abroad also, who are involved in all types of direct marketing and all aspects of it, from catalogs to telephone marketing operations to list brokers to service bureaus, people who put together the mail and mail it to printers, and one thing they all have in common is that they participate in this direct marketing discipline which goes straight to the consumer to sell goods and services and to raise money.

We think that it is very important to us that we work hard to get rid of fraud, and also unethical activities, because the nature of our business is that it is sort of an arm's-length transaction. You don't have a clerk that you can go in and get mad at and you don't have a physical store there that you can go in and bang down the doors when they do something bad.

Also, when you find you are defrauded in some way or another, in a retail context, people don't stop going to stores, but if you are defrauded over the phone or through the mail, your tendency is to never do that again, so it is very important to us, and for the whole 76 years of the existence of this association we have been actively involved in this.

I don't think I need to emphasize any more than to say it, what you already know, is that telemarketing activities and mail order activities are an extremely important part of our economy. Generally hundreds of billions of dollars of sales. And we think this is an important point to make.

I think we might be a little bit unusual in the trade association business in that we have not one, but two ethics committees. Our committee on ethics policy is actually in charge of putting together ethical policies for the business of direct marketing.

And the staff has several pamphlets: Our bible which is the guidelines or ethical business practices, our guidelines for mailing list practices, our guidelines for marketing by telephone, our guidelines for personal information protection, and we also, in connection with the newspaper testimony, put out guidelines for acceptance of advertising, so that you can spot fraudulent advertising or questionable advertising both in print, and in broadcast advertising. And in connection with this the Direct Marketing Association also has, in conjunction with the Postal Inspection Service, printed I think a very interesting pamphlet called Misleading Advertisements and What You Can Look For, both as somebody accepting advertising and as somebody reading advertising, the questions that you should ask before you respond to an advertisement that is fraud.

We work very closely on almost a day-to-day basis with the major agencies that deal with fraud: The Federal Trade Commission—they have been mentioned here—the National Association of Consumer Affairs, Consumer Agency Administrators, the Justice Department, the National Association of Attorneys General. We, too, are a Postal Inspection Service, of course, too. We, too, are a founding member of the Alliance Against Fraud in Telemarketing and very actively support all of those programs.

On top of that in mail fraud and telephone fraud, we also publish, and I didn't bring them all here with me, many consumer education booklets on how to shop by mail and how to shop by telephone and how to spot scams that you can avoid.

We have consistently supported—we have consistently supported the idea of self-regulation. In our second ethics committee, by the way, the Committee on Ethical Business Practices, which takes those guidelines you see there and attempts, to the extent that you can under antitrust laws, to enforce those codes, in essence.

We have a large committee which hears complaints against mail orderers and telemarketers and if they feel that they have been engaging in unethical activity, we will go after that company in the sense of using peer pressure to contact the CEOs and talk to them about how they can correct their activities. When we come across, as we often do, fraudulent activities, we turn all of our material over to the appropriate law enforcement agencies and work with

those law enforcement agencies in order to try to eliminate the fraud.

We like self-regulation to the extent that we can do it, but we recognize that particularly in this business, and this is sort of directed somewhat to Mr. Young, that some regulations and laws are necessary, and we feel particularly in the area of growing telemarketing fraud, which is a difficult thing to get your hands around, that in fact some of the new laws and regulations are good. It has been pointed out that we have a telemarketing fraud bill which has passed both the House and the Senate which we support and we are anxiously awaiting its passage, and we also support the basic thrust of S. 557 which you asked us about, the scams bill.

I would particularly point out that this is a step forward from our viewpoint, at least as far as senior citizens are concerned by interjecting criminal penalties over a system which is essentially civil penalties.

We also support extending the scope of the mail fraud statutes to cover fraud involving sending or delivering something by private or commercial interstate carriers, along here with Federal Express I presume, Mailbox Associates, and United Parcel. We think it just adds another tool in the quiver, I guess you could say, arrow in the quiver of the Postal Inspection Service and other law enforcement officials to combat fraud.

So again I would just say it is a real pleasure to be here. We look forward to working with this subcommittee and other members of Congress in tightening up fraud laws and working with Federal agencies and State agencies to combat fraud in mail order and telemarketing.

Thank you.

[The prepared statement of Mr. Barton follows:]

PREPARED STATEMENT OF RICHARD A. BARTON, VICE PRESIDENT, DIRECT MARKETING ASSOCIATION, INC.

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Madame Chairman and Members of the Subcommittee:

My name is Richard A. Barton, and I am Senior Vice President for Government Affairs for the Direct Marketing Association. I am delighted to accept your kind invitation to appear here today to discuss the DMA's efforts to combat mail fraud and telemarketing fraud, and to present the DMA's views on S.557, the Senate-passed "Senior Citizens Against Marketing Scams Act."

THE DMA AND TELEMARKETING

The Direct Marketing Association ("DMA"), with offices in New York City and Washington, D.C., is a national trade association representing over 3,000 companies and organizations that market products and services through the mail, electronic and print media, and through telemarketing.

The DMA embraces a broad range of companies and organizations that share an interest in any legislation which is designed to combat telemarketing fraud and related mail fraud practices. Some DMA members, such as L.L. Bean, engage in "in-bound" telemarketing, as an order-taking service for customer convenience, in conjunction with their mailing of merchandise catalogues. Others, such as Olan Mills, focus on "out-bound" telemarketing as their primary means to promote and sell their products and services. Still other DMA members, such as DialAmerica Marketing, are service bureaus which advertise and sell the products and services of other companies through telemarketing.

These DMA members -- and the many charitable, religious, educational, and political organizations that are DMA members who widely make use of telemarketing for fund-raising and membership campaigns -- demonstrate day after day how important telemarketing has become to businesses, consumers and the economy.

THE VALUE OF TELEMARKETING TO BUSINESSES, CONSUMERS AND THE ECONOMY

Companies in nearly every sphere of the business world use telemarketing to advertise and sell their goods and services. As evidenced by the "Congressional Findings" in the Telephone Consumer Protection Act of 1991, there are tens of thousands of businesses that currently employ millions of individuals and generate billions of dollars in annual sales through telemarketing.¹

While telemarketing is clearly a successful, cost-effective method for DMA members to advertise and sell goods and services, the benefits of telemarketing for consumers and the economy must not be overlooked. Many of the millions of American consumers who shop by phone do so merely as a matter of convenience; for others, however, such as the millions of individuals who have disabilities

¹ Section 2 of the TCPA, P.L.102-243, which was enacted in December 1991, includes Congressional Findings that over 30,000 businesses actively telemarket goods and services, more than 300,000 "solicitors" call more than 18,000,000 Americans every day, and "total U.S. sales generated through telemarketing amounted to \$435,000,000,000 in 1990, a more than four-fold increase since 1984." The DMA has no way to ascertain the accuracy of the figures in these findings, but we note that their reference to "goods and services" and "sales" probably means that they do not account for the fund-raising, membership, and other telemarketing activities of the educational, charitable, political and other tax-exempt, nonprofit organizations that are largely exempted from the TCPA.

or responsibilities that prevent them from easily traveling to the merchants and stores that may sell the goods and services of their choice, the ability to learn about the availability of such goods and services, and to purchase them and arrange for their delivery, all over the telephone is a necessity without which the quality of their lives would be significantly diminished.

At the same time, telemarketing is clearly a growth industry which continues to generate a uniquely flexible range of employment opportunities for millions of individuals who might otherwise be unable to find suitable employment. The offer of full- or part-time employment, at different times of the day or week, and at different levels of training and productivity, explains why telemarketing is viewed as an attractive and accommodating field of employment for students, single parents, senior citizens, and other individuals who cannot or do not want to undertake jobs with more conventional schedules. With proper training and equipment, telemarketing offers jobs to individuals whose physical disabilities prevent them from pursuing work requiring physical mobility and labor. It also offers jobs to individuals whose employment opportunities may otherwise be limited by a lack of higher education or more technical career skills. Finally, it offers experienced workers portability in a type of employment that can be found and resumed after relocation to virtually anyplace in the United States.

By affording such specialized marketplace access and employment opportunities where neither might otherwise be found,

telemarketing has helped to bolster the health of the U.S. economy through its contributions to personal and corporate income, tax revenues, product and service development, and consumer demand. It is indisputable that the benefits of doing business by phone extend to the consumer and the economy, as well as to the businesses and other organizations involved.

THE DMA WORKS ACTIVELY TO COMBAT TELEMARKETING FRAUD

The public's confidence in the legitimacy and reliability of telemarketers is essential to the continued success and growth of this form of marketing. Obviously, legitimate telemarketers have a strong incentive to support reasonable government regulatory and law enforcement efforts to combat telemarketing abuses, as well as to mount their own initiatives to maintain the integrity of common telemarketing practices.

As part of its overall approach to responsible self-regulation and regard for customer service needs, the DMA has been actively working with the Federal Trade Commission ("FTC"), the National Association of Attorneys General ("NAAG"), the U.S. Office of Consumer Affairs, the Department of Justice, the Council of Better Business Bureaus, the National Consumers League ("NCL") and other interested parties to develop consumer education and other programs to rid the industry of fraudulent telemarketers.

For example, the DMA has been an active participant in the FTC's Telemarketing Fraud Database Program since its inception in 1987.

The DMA was also a founding member of the NCL-coordinated "Alliance Against Fraud in Telemarketing" ("AAFT"). The DMA is currently on AAFT's Steering Committee and has helped to produce AAFT's "Consumer Protection Handbook," which is used by consumer and regulatory agencies nationwide.

The DMA recognizes that the best weapon against any fraudulent telephone activity is an informed and vigilant consumer public. To this end, the DMA has committed extensive association resources to educating consumers on how to protect themselves in their telephone transactions. For example, the DMA frequently distributes "Action Line Reports" on telemarketing fraud to consumer media across the country. The DMA has also produced helpful consumer pamphlets, such as its "Tips on Telephone Shopping," which was one of the first consumer education booklets to specifically address shopping by telephone. In 1990, as part of the DMA's activities for National Consumers Week, the "Tips" booklet was revised to include material about pay-per-call, or 900-number, telephone services, and was published in six languages; more recently, the booklet was revised again to provide updates on new developments in telephone fraud.

The DMA's Committee on Ethical Business Practice was established to examine and investigate offerings throughout the direct marketing field in an effort to improve business practices and promote consumer protection. Complaints are referred to the Committee by consumers, "Action Line" reporters, and industry

members. Companies that are found to be in violation of the DMA's "Guidelines for Ethical Practice" are contacted by the Committee and given an opportunity to correct the practice in question. In cases involving possible law violations and a lack of company cooperation, the complaint files are turned over to the FTC, the office of the Attorney General in the marketer's home state, the U.S. Postal Inspection Service, or some other law enforcement agency, as appropriate. Recently, the Committee dealt successfully with several complaints against pay-per-call service providers.

In order to more broadly advance ethical practices in the direct marketing arena, the DMA established its Ethics Policy Committee, which is responsible for reviewing and revising the DMA Guidelines, as necessary, and for developing the DMA's Dialogue Series. The Dialogues are regional meetings held twice a year between direct marketing professionals and consumer affairs regulatory officials across the country. They provide exceptional opportunities for participants to discuss issues of mutual concern, and to work together to provide effective consumer and industry educational materials. As a result of the Dialogue program, the DMA and the U.S. Postal Inspection Service are now completing work on a booklet to educate consumers about sweepstakes, contests and prize promotions, which we hope to jointly publish during National Consumers Week later this month.

THE DMA ALSO WORKS ACTIVELY TO COMBAT MAIL FRAUD

Because so many DMA members engage in direct marketing by mail, the DMA is equally active in helping marketers, consumers and regulatory officials combat mail fraud, including use of the mails to execute fraudulent telemarketing schemes.

"Make Knowledge Your Partner in Mail Order Shopping," one of several DMA consumer education publications on this subject, was written in cooperation with the Federal Trade Commission to provide consumers with tips on how they can keep alert for fraud and avoid other potential problems when purchasing goods through the mail.

For a number of years, DMA publications have urged telephone marketers to abide by the FTC's "Mail Order Merchandise (30-Day) Rule" when shipping prepaid merchandise. In testimony before the FTC last November, the DMA once again expressed its general support for rulemaking proposing to apply this rule to shipments of prepaid merchandise ordered by telephone. As you may know, the amendments to the rule, making it applicable to both mail and telephone order merchandise, will become effective on March 1, 1994.

The DMA's Mail Order Action Line, which was instituted more than twenty years ago to act as an intermediary between consumers and direct mail marketers regarding consumer complaints, is also used to help consumers with telephone marketing problems, and the DMA has revised its "Mailing List Practices Guidelines" to include advertising acceptance standards covering telemarketing offers.

THE DMA SUPPORTS S.557

Although justifiably proud that its leadership in developing effective programs for self-regulation has minimized the need for government regulation to protect consumer interests in the direct marketing arena, the DMA agrees that providing consumer protection and redress against marketing fraud requires the active involvement of Federal and State government officials and the exercise of their criminal and civil law enforcement authorities.

Over the past two years, the DMA has worked closely with the House and Senate Commerce Committees to craft federal legislation that will provide additional weapons to support Federal and State civil law enforcement efforts against telemarketing fraud. These cooperative efforts have sharpened the focus of the pending bills (H.R.868 and S.568) and removed a number of industry concerns regarding the legislation's potential adverse impact on legitimate telephone marketing practices.

Today, the DMA is pleased to voice its support for legislation which recognizes that telemarketing fraud is intentional criminal conduct and should be treated as such. As passed by the Senate in July, S.557 would make interstate telemarketing fraud a federal crime; provide enhanced criminal penalties for telemarketing fraud aimed at senior citizens; apply criminal forfeiture and restitution requirements to telemarketing fraud offenses; authorize rewards for persons who provide the Government with information leading to telemarketing fraud convictions; extend the credit card fraud laws to cover "factoring" and unauthorized solicitation for the purchase of credit cards; and, establish a national toll-free "hot-line" by

the Attorney General for inquiries about telemarketers.

In addition, the SCAMS bill would broaden the scope of the federal mail fraud statute (18 U.S.C. 1341) to cover fraud which involves an effort to send or deliver something by any private or commercial interstate carrier. The DMA, which includes Federal Express and the other major private carriers among its most active members, applauds this proposal in recognition of the increasing volume of interstate deliveries that are now handled by entities other than the U.S. Postal Service. The DMA has worked closely with its carrier members and the U.S. Postal Inspection Service to help consumers understand the relationship that sometimes exists between telemarketing fraud and advertisements or orders for purchase which are delivered by mail or private express carrier. Telemarketers who fraudulently prey upon consumers should not escape the consequences of their criminal actions merely because they use private carrier, rather than U.S. Postal Service, delivery to help perpetrate their offense.

CONCLUSION

The DMA will be happy to work with the Subcommittee to further the common interests of direct marketers and consumers in fighting the unscrupulous few who exploit the convenience and efficiency of telemarketing to commit acts of fraud. Although the Subcommittee's jurisdiction may be limited to those portions of S.557 which deal with the mail fraud statute and related offenses, we believe that those provisions are extremely important and deserve our support.

Miss COLLINS. Thank you, Mr. Barton. Your association deals with most of the catalogs? Are most of the catalogs members of your association?

Mr. BARTON. Yes, I would say so. I mean certainly 90 percent of the catalog business goes to members of our association in one way or another. There are a lot of little ones out there, I am not sure that they are all members. But yes.

Miss COLLINS. Most of the big ones. Do you know what I think constitutes a type of mail fraud from legitimate companies is that many times they leave something out of the order. And when you—very few consumers will write the company back.

They don't have really a mechanism whereby you could call and get satisfaction, because the 1-800 number is for taking orders, not for taking complaints. And if you have a \$100 order, there is a \$10 item not included in the order, it is very difficult to get redress, when you think that it is in the billions of dollars, hundreds of billions of dollars of catalog ordering, you wonder if perhaps some companies are making a lot of money.

Mr. BARTON. Well, I hope not.

Miss COLLINS. And I don't know if that would be considered a scam or something that DMA would tell a company, we are getting complaints. Well, a consumer wouldn't know to complain to you.

Mr. BARTON. We do have what we call mail order action line in which we get several thousand calls a year on complaints. It is publicized essentially through local consumer affairs officials. We don't set ourselves up as a better business bureau, but we will take complaints and we do try to advertise it. Though, as you say, I don't think it is really broadly known, and we want to push it.

Interestingly enough, 90 percent of the complaints are precisely what you say they are, they are slow delivery, nondelivery, the leaving out of items. There are laws and regulations preventing that, and if you have—if you can—we can find in DMA, and of course law enforcement officials can find that there is a regular pattern, a consistent pattern of a company leaving out items and being very slow or not providing them later on, then there is redress through the Federal Trade Commission.

In fact, the Federal Trade Commission has had a couple of actions against companies not so much for not sending the material, but when they cannot provide it, because they have run out of stock or whatever it is. The refunds don't—sometimes they do not provide what you would call a full refund.

In other words, they have postage and handling. So I recognize the fact that that is a problem, I hope it is not a very big problem. I think in most cases when that happens a company has legitimately run out of stock and will do their best to supply it to you—will supply it to you later. If they cannot do that, they are supposed to conspicuously, after a certain period of time, offer you a refund. If they don't do that, we would encourage people to call the Direct Marketing Association. Of course, then there are complaints to the Federal Trade Commission or their local State AG's office. It shouldn't happen.

Miss COLLINS. Well, you know, I hate personalizing things too much.

Mr. BARTON. Go ahead. We will help you out.

Miss COLLINS. One particular company that I just love to do business with, I have done business with them three times and each time it is such a small item, you know, that is not included; and the invoices or the packing slips are very difficult to understand whether something on back order or whether it has been sent or whether it is going to be sent later.

In the meantime, your credit card bill comes in with the full amount, and I think as a public official I am going to send a strong letter to my favorite company.

Mr. BARTON. I think you should.

Miss COLLINS. And let them know. I am just wondering if that is something that happens—for myself, maybe it is just \$10. But if you multiply that by the hundreds of thousands of people who order through that catalog, you are talking about millions of dollars.

Mr. BARTON. If the company ultimately does not refund your money in a case like that, then they are breaking the law; and I would like to hear about it, and I am sure the FTC would like to hear about it.

Just very briefly, we have a regulation which is now getting ready to apply to telephone orders to the Federal Trade Commission. We call them the mail order rule, which says that if you don't tell a customer when to expect to receive something, then it must be shipped within 30 days. If it can't be shipped within 30 days or within the specified time, say 6 weeks or, you know, sometimes they will say we can't get this to you for 6 weeks for one reason or another, then they are supposed to send you a very clear and conspicuous notice saying they can't provide it and giving you an opportunity for a refund.

And usually you say, well, I will wait and get it. If the second time around they still can't provide it for one reason or another, they are supposed to give you a refund, period, unless you specifically say, I don't want one.

So there are rules and regulations on that. And if you find a company that is consistently violating them, then I think I would like to know.

Miss COLLINS. I get the impression that some of those telemarketing companies are like sweat shops, that—

Mr. BARTON. None of them are our members, Miss Collins.

Miss COLLINS. Maybe they are not. But you can hear a lot of voices in the background, and you wonder if they are taking orders for a lot of different catalogs or a lot of different companies.

Mr. BARTON. In some cases they are. They have—they are not necessarily sweat shops. I mean there are quote sweat shops.

Miss COLLINS. I just used that term thinking of a large room full of people, you know.

Mr. BARTON. It is. It typically would be, say, a room this size, not with these high ceilings, but this size in which you have cubicles, usually fairly comfortable cubicles, maybe a hundred or so. They are somewhat soundproof. But you can hear them, each with a separate line. The calls are controlled, incoming calls or outgoing.

But in this case, you are talking about incoming calls controlled by a big computer, and they are taking orders. And in some cases, in a telephone service bureau, when they work for more than one



organization, they will be taking orders for more than one catalog or more than one advertisement.

Miss COLLINS. Have you ever seen those telephone service bureaus, maybe some of them unethical, that maybe they get your credit card number, Mr. Brosan, and instead of using it just for the order that the consumer has called in, they use it for other orders or pass that number on to other companies where the consumer becomes inundated with offers, and maybe becomes confused, not knowing which one was the company they did business with?

Mr. BARTON. The simple answer to that is, yes.

It is not a legitimate way of doing business in passing credit card numbers back and forth and charging for unordered merchandise. It certainly is not legitimate. That is fraudulent.

We have just—in recognition of some of the problems of this, our board of directors has offered a fairly strong ethical guideline that, except for very legitimate business purposes, that it is considered an unethical practice to exchange a credit card number with another company.

Miss COLLINS. How about—

Mr. BARTON. Or with another crook.

Miss COLLINS. How about exchanging that consumer's telephone number and address?

Mr. BARTON. Yes. But our—yes, that is done.

And in fact, it is a regular very extensive business in the rental of lists of customers to other people so you can solicit them.

Our guidelines are strong, and we have a whole new program now in the Direct Marketing Association to enhance and strengthen the enforcement of these guidelines.

If you do that, we believe that the companies have an obligation to tell you in some way or other that they are going to do that and to give you an opportunity to say, no, I don't want my telephone number or I don't want my address passed.

American Express, for example, is very well-known for this. Periodically, in your bills you will get a separate thing saying that American Express will rent your names to other marketers for products we think you will like; but if you don't want us to do this, then please check off this box and mail it back.

We also—if you look in most of your catalogs—they should be in all of them—but if you look in most of your catalogs, they will have a provision there on the order form or near the order form saying that if they rent their list of customers to others and they are giving you an opportunity to get off the list, we very strongly believe that that should be the case.

The Direct Marketing Association also, 25 years ago, founded what we call the Preference Service, which is a national service in which if you write in to us here in Washington, we will put your name on a list, ironically enough, and distribute it to the major—most all of the major national mail advertisers.

And we can, if you don't order anything else through the mail for a while, get your name off of most national advertising lists. We have about 3 million names on that list that are current names that we continue to use.

So there are some mechanisms. To the extent that it is not being done, it should be done. And we think that you ought to have an opportunity to get off of these lists very easily.

Miss COLLINS. I agree.

Well, I want to thank you all very much. I think it is Mr. Bügge who was talking about the invoices?

Mr. BÜGGE. Yes.

Miss COLLINS. Even the Congress has been victims of bogus—

Mr. BÜGGE. With the yellow pages?

Miss COLLINS. How did you know? I wasn't going to mention any names. You know, I am trying very carefully not to mention names.

Mr. BÜGGE. Yellow pages is generic.

Miss COLLINS. Is that generic?

Mr. BÜGGE. The fingers do the walking sign is not a trademark, so anyone can use it; and that is one of the problems with that type of invoice scam.

Miss COLLINS. Yes. My office received two invoices, one in June and one in August. The June invoice was from Philadelphia. The August invoice was from New York. And I could not understand why my office would advertise in the yellow pages.

But yellow pages is not AT&T or the telephone company?

Mr. BÜGGE. No. Yellow pages and the fingers do the walking insignia are not trademarked items, so anybody can call themselves yellow pages. It is Yellow Pages of Virginia, it is U.S. Yellow Pages, it is American Yellow Pages, not necessarily C&P Yellow Pages or AT&T. There are many, many yellow pages which are legitimate.

But it is easy just to put the logo up there, put yellow pages, and then wherever you want the money to go to deposit the check and do that.

Some say it is a solicitation. Some actually just bill you and say here, pay this amount.

Miss COLLINS. So out of 535 members of Congress, you know, I wonder how many paid the \$138 invoice?

Mr. BÜGGE. Well, if you haven't got a copy of at least one of the companies when they send out their product, it is a small book of yellow pages and the tops of the pages aren't even cut. So you have to rip it apart, and your name will be listed there, because they lift it off a legitimate yellow page ad prior to sending it to you.

Miss COLLINS. I see.

Mr. BÜGGE. As a matter of fact, it is one of those hearings which was held with the postal authorities over a year ago where there still is something which is not signed by the judicial officer. It may not be for many reasons. But it is a year plus. So they have had a whole year to go back and do it again.

Miss COLLINS. Isn't that chutzpah? I mean that is nerve to send a fraudulent invoice to the U.S. Congress. A crook has no—

Mr. BÜGGE. No scruples.

Miss COLLINS. No scruples whatsoever. They are very brave people. And I think we ought to ask the FBI what they have done about that.

It is just amazing what chance does an ordinary citizen or consumer have against those crooks? It is—we have had three—this is the third hearing. We had the FBI. The FBI is very much involved in working with the consumers in working with your asso-

ciations. But it is almost like stopping a trickle when there is an ocean of crooks out there.

Mr. BÜGGE. Once it works, then there is just proliferation. Somebody who worked for the company that had the brainstorm and made a very popular spinoff on their own.

This is what we fear is happening with the type of invoice we brought to you earlier. We know of two basic companies, each with multiple titles; and just within the last month we heard of another one that had started up, we don't know if there is a relationship. And just within the last day or so, I heard of still another one with a new address. And it may be the same people, or it may be someone who worked for them, said this is a great idea, I am going to do it by myself.

Mr. ARMSTRONG. Madam Chairwoman, I might mention, that small business people which I am, we are inundated with that sort of thing. I mean it is not a daily occurrence, but I bet within a course of a week, it is not unusual to get one or two of that sort of thing.

When you are getting a lot of bills in a small business, you are not vigilant; you can miss that and end up spending a lot of money. It is becoming a big problem, I think.

Mr. BÜGGE. My wife works with a children's center in Virginia, and just yesterday, as I was getting into the car leaving, she ran out and said, here, look at this; do something. And it was a yellow page bill that they received, not from any yellow pages they ever dealt with.

Miss COLLINS. I think I will direct staff to check with the agencies to see what has been done about the yellow pages, if nothing else, at least the yellow pages. I know House Administration asked us not to pay those bills and to turn them in, and there were some law enforcement agency investigating. Let's find out what they have gotten.

Mr. BÜGGE. I know the postal authorities also have done investigations at least on one major company with many, many different titles.

And I am sure that they also have investigated other companies. But there are many of them, and they are not associated with legitimate, generic yellow pages through the telephone companies, et cetera.

Miss COLLINS. Well, gentlemen, I thank you very much for coming. You have added a great deal to this series of hearings. All of your testimonies will go into the record and will be disseminated to all of the committee members. Thank you very much.

This hearing is adjourned.

[Whereupon, at 11:40 a.m., the subcommittee was adjourned.]

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